



STATE OF CALIFORNIA

Labor & Workforce Development Agency

GOVERNOR Gavin Newsom • SECRETARY Julie A. Su

Agricultural Labor Relations Board • California Unemployment Insurance Appeals Board
California Workforce Development Board • Department of Industrial Relations
Employment Development Department • Employment Training Panel • Public Employment Relations Board

July 29, 2020

Dear members of the California legislature:

On various occasions over the last four months, I have appreciated the opportunity to brief you and engage with you on the Employment Development Department (EDD)'s progress and challenges in administering unemployment insurance benefits during this time. Your questions, concerns, ideas, and offers of assistance have been valuable as my team and I have worked with EDD throughout this pandemic.

While EDD has processed more than eight million unemployment insurance claims since March and implemented process, communication, and technological improvements, too many Californians who may be eligible for benefits have not been paid. Many of them turned to your offices for assistance. We must do better.

Unemployment insurance should be a human-centered system that supports people during hard times, from the first contact to final resolution and all communication in between. EDD Director Sharon Hilliard and I, our teams and the rest of the Newsom Administration are committed to making the UI experience better.

I have personally heard directly from thousands of Californians struggling to obtain benefits and have used their experiences to inform some of the solutions already implemented. These are some of the solutions under way:

- Expedite processing of all pending claims, prioritizing the oldest claims first and develop strategies to process these claims faster. Many of these cases required identity verification but once verified, other issues have required further manual review and recomputation. EDD will provide regular updates, at least monthly, on its progress on these claims and actions to improve claims processing.

- To address the claims categorized as “may be eligible with additional information”:
 - Immediate and weekly email and/or text reminders to claimants to certify their claim - including those pending and ongoing.¹
 - Work with the legislature and advocates to create more user-friendly notifications and enhance the UI Online customer service experience.
 - For initial determinations of insufficient or no earnings, for claimants who have not since applied for PUA, EDD will send a reminder message with instructions on what steps to take if a claimant does not agree with the determination or would like to apply for PUA.
- Create a mechanism for online submission of identity verification documents and automate the verification wherever possible.
- Removal of prior disqualifications. Claimants who had been disqualified in the past still had a flag on their claim that required manual processing, affecting 13,000 claimants. Once identified, EDD implemented a technology solution that eliminated this barrier for these claimants and continues to identify other such causes of delay and address them immediately.
- Identify and address delays in handling of misclassified worker cases. EDD has worked to ensure that the wage investigation, which is one part of the process, does not delay payment. EDD will continue to take all viable steps to streamline its processes for misclassified workers.
- Streamline the call center experience through Interactive Voice Response (IVR) automation with the goal of routing a caller to a call center representative who has specialized training with that specific issue.

Resolving many of the remaining claims will require intensive manual processing, operational improvements, more frequent and effective communication with applicants, and additional resources to bolster EDD as rapidly as possible.

To understand the nature of those remaining claims, Director Hilliard and her team prepared a report, at my request, that I am sharing with you in hopes that it will also answer some of your questions. I want to thank you for concurrently

¹ In examining reasons for nonpayment, we found that 370,000 claimants were eligible for certification but had not certified for benefits. Typically, EDD closes claims that are inactive for about three weeks. After the additional email communication was sent, 221,000 of those claimants have been paid. This problem highlights the need for clearer certification instructions for unemployed Californians in the UI online system, which we are addressing.

identifying problems and suggesting solutions, which has helped guide us in our work.

Governor Newsom will make some announcements later today on this issue relating to our longer-term efforts to improve customer service at EDD. I continue to welcome your feedback and am grateful for your partnership as we work to serve Californians during this pandemic.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie A. Su", with a long horizontal flourish extending to the right.

Julie A. Su

California Labor Secretary



July 29, 2020

Julie A. Su
Secretary
California Labor and Workforce Development Agency
800 Capitol Mall, Suite 5000 (MIC-55)
Sacramento, CA 95814

RE: Unemployment Insurance Program Update

Dear Secretary Su:

The purpose of the letter is to provide you a comprehensive update on the Unemployment Insurance (UI) program that reflects our ongoing discussions and partnership in addressing historic high workloads. The COVID-19 pandemic has placed extraordinary stress on California's workforce and the systems that serve them.

Over the past four months, the Employment Development Department (EDD) has paid more than double the unemployment insurance (UI) benefits it paid in all of 2010 at the height of the last recession. Between March 8 and July 18, EDD processed 8.7 million claims and distributed \$49.7 billion in unemployment benefits.

During this time, EDD also programmed new federal pandemic-related programs onto an antiquated UI system and brought another program online that had been completely manual:

- Pandemic Additional Compensation (additional \$600 federal stimulus payment money)
- Pandemic Unemployment Assistance (self-employed and ineligible for regular UI)
- Pandemic Emergency Unemployment Compensation (13-week extension)
- Federal-State Extended Duration (FED-ED) (20 weeks of additional benefits)
- Work Share (now employers can apply online)

The new federal programs are subject to significant and rigorous oversight by the U.S. Department of Labor (USDOL). Compliance includes time-consuming reporting requirements and often conflicting guidance.



Actions Taken

Due to the state's multi-year low unemployment rates, the EDD UI Branch had commensurately reduced staff, as funding is tied to workload levels. While prepared for mild fluctuations in UI claims, the rapid increase in unemployment overwhelmed the EDD UI Branch.

In March, EDD had 20 staff dedicated to identity verification, 30 staff for the complex adding or deleting of wages to a claim, and 1,250 staff to process claims, including 350 expert claims staff who answered calls four hours a day (8:00 am to 12:00 pm).

To address the increased workload, EDD staff began working 7 days a week, and the following actions were taken:

- EDD redirected 626 staff from other units to assist the UI Branch full-time.
- 700 employees were redirected from other state departments - both temporary and longer-term.
- EDD launched a new technical assistance call center on April 20th to assist with general inquiries and requests for assistance and free up EDD claims staff to assist with more complex processes.
 - This call line is open from 8am-8pm, seven days a week, in both English and Spanish.
 - Currently EDD has a total of 1,100 staff (500 vendor staff) answering both the general phone line and the new technical support line. By the end of August, EDD plans to have over 2,600 available phone agents. Increased staffing will continue through November with the goal of serving our customers timely.
 - EDD's new knowledge management system will allow the department to more quickly onboard new hires and ensure more timely and a greater continuity of responses provided by call center staff.
 - EDD's new workload management tool will help manage call center agents' availability and provide improved coordination from a staffing perspective.

- Created an online chatbot to provide claimants information and resources on frequently asked questions. It has received 3.6 million inquiries since it was launched on April 25.
- EDD launched a text messaging alert system regarding claim status - almost 7 million texts have been sent to nearly 3 million claimants.
- Partnered with the Department of Technology, the Office of Digital Innovation and outside vendors to modify the UI Online application system to enhance capacity, ensure sustainability, and explore new solutions. As a result, EDD ensured fewer claimants were being sent through the identity verification process. The system now allows multiple chances for a customer to enter their Social Security Number correctly to ensure it matches the employment records EDD has on file.
- Modified the UI Online application system to increase the number of claims that can be auto-processed without any new staff review and processing.
- With supplemental federal funding approved by the Legislature in the Budget Act, EDD began to hire 5,300 new employees and additional federal UI funding is anticipated in the current year to support these staff. EDD worked with CalHR to expedite the hiring process:
 - Currently, 4,797 employees have been approved for hire and are in various stages of onboarding, training and deployment.
 - These employees will bolster every level of service from answering simple questions at the call center to filing claims to the more detailed wage certification and identity verification process.
- Increased legislative outreach and assistance:
 - EDD has significantly increased the number of staff dedicated to assisting legislative offices with constituent requests from 1 to 93.
 - EDD meets with legislators and staff every two weeks to provide updates on the UI program and answer any questions staff may have.
- Enhanced the federal Work Sharing Program, which helps businesses avert layoffs by reducing staff hours and allowing staff to receive both part-time earnings and a prorated percentage of UI benefits, thereby keeping their jobs and allowing the business to remain open.

- EDD streamlined the application by creating an online process.
- The program has seen a 3,400 percent increase in applications filed between March and May compared to January - February 2020.
- EDD has approved 94 percent of requests from March to July.
- Currently 8,578 employers are participating in Work Share, which has helped to avert layoffs of almost 54,000 participating employees.
- Due to the impact of COVID-19, EDD has authorized temporary exceptions for UI claims:
 - Waived the 7-day waiting period so that after claimants submit their first two-week continued certification, they are paid for the first week. (per Executive Order)
 - Suspended work search requirements - claimants are not required to look for work each week to be eligible for benefits.

Fraud Prevention

EDD deploys a number of tactics to deter, prevent, and detect fraud. Due to the large increase in UI claims, the EDD Investigation Division is actively working with the USDOL, Office of the Inspector General. In recent communications that included USDOL and the FBI, it was cited that the data breaches by major credit and other companies were the likely sources of peoples' identities being used to try and file imposter UI claims.

Claims that meet certain characteristics are put through the identity verification process in order to prevent fraudulent benefits from being paid. This serves to protect potential victims - for example, if a claimant's application information doesn't match Department of Motor Vehicles or Social Security Administration records, the EDD must do an investigation to confirm the true identity of the applicant.

These identification verification measures have helped protect EDD against a recent nationwide fraud scheme perpetrated against state unemployment agencies.

Claims by the Numbers

- From March 8 to July 18, 2020, EDD has processed a total of 8.7 million claims between regular UI, extensions, reopened claims and the PUA program.

- 6.8 million UI claims
- 1.4 million PUA claims
- 454,000 extensions (PEUC and FED-ED)

*These numbers reflect the workload of claims processed including unique and reopened claims.

- Over the same timeframe EDD has paid a total of \$49.7 billion in benefits:
 - \$36.1 billion in UI benefits
 - \$11.8 billion in PUA
 - \$1.8 billion in PEUC and FED-ED benefits

UI Process Challenges

There are multiple steps to complete a claim, including actions that must be taken by EDD and actions that must be taken by the claimant. The UI technology is antiquated and difficult to modify. For example, identity verifications currently must be mailed or faxed to EDD.

Common reasons for delays:

- Identity verification - some claimants' applications are flagged for further review due to an issue involving their identity. This is an important fraud-prevention measure, but it results in significant delays.
- Wage investigations - those who have no earnings or insufficient earnings reported by their former employer but claimant disputes this determination (i.e. zero dollar letter). This can include claimants who may be misclassified by their employer.
- Re-computations needed - this includes changes in earnings, people who got through ID verification and wage investigations and need their benefit amount re-calculated.

Claimants must certify eligibility every two weeks. With so many newly unemployed Californians, there appears to be confusion about the certification process, as it can be hard to navigate for new claimants. In June, EDD identified 370,000 claimants

who had not certified for benefits for the period between March 12th and June 9th. After EDD contacted these claimants via email and reminded them to certify, 221,000 claimants certified their eligibility and were paid.

Define the Problem – Unpaid Claimants

Between March 8 and July 18, EDD has identified 6 million unique claimants. EDD has paid 4.8 million claimants; however, a significant number of claimants have not received payment because they are either pending eligibility or have been found ineligible

As reflected in the following table, there are three categories that represent claimants that have not received payment:

1. **Pending Resolution:** This represents the claims where EDD has received all necessary items from the claimant and employer where appropriate (i.e. wage investigations, identity verification documents, employer-employee status) and final action is needed to determine eligibility and potentially issue payments.
2. **May be eligible with additional information:** Some of these claimants may be eligible for benefits if they certify and demonstrate their eligibility for those weeks of benefits. Other claimants have been determined to be income ineligible but may be eligible pending additional information from the claimant. This includes:
 - a. Certification - Claimants who have not certified their claim.
 - b. Wage Information- Claimants who received a “zero dollar” letter were determined income ineligible but could be misclassified or otherwise need to provide information regarding their employment and earnings history for EDD to research the claim further and determine eligibility.
 - Due to the unprecedented demand and workload, claimants in this category may not have been able to contact EDD to provide the necessary documents. Claimants may have submitted information and documents that have not been identified as actionable workload items.
3. **Ineligible:** Claimants determined to be ineligible due to excessive earnings, being fully employed or other disqualifications.

Table 2. Claimant Payment Summary Status-Breakout (March- July 2020)

Total Claims Processed¹	8.7M
➤ Unique Claimants:	6.0M
➤ Paid	4.8M
➤ Ineligible ²	161.7K
➤ May be eligible with additional information	889K
➤ Have Never Certified for Benefits	587K
➤ Did Not Provide Wage Information To Qualify For A Claim ³	302K
➤ Pending EDD Resolution ⁴	239K
➤ Backlog (March – June)	169K
➤ Current Working Inventory (July)	70K

¹ Totals are from 3/8/20 through 7/18/20. Claimants may have multiple claims (e.g., regular UI, Pandemic Unemployment Assistance, Pandemic Emergency Unemployment Compensation, and Federal-State Extended Duration Benefits). The data also includes additional claims or claims that are re-opened when there is a break in certifying for benefits (e.g., claimant may return to work, then weeks later come back to collect benefits on their initial claim).

² Consists of the following populations: Claimants that cancelled or suspended their claims (9.7K) or reported excessive earnings, fully employed, or disqualified for certification period. (152K)

³ Due to the unprecedented demand and workload, claimants in this category may not have been able to contact EDD to provide the necessary documents. Claimants may have submitted information and documents that have not been identified as actionable workload items.

⁴ Claimants not in an end-state and require further processing to determine eligibility of payment. (239K)

Notes: May not add due to rounding

Prompt Payments

EDD provides USDOL with monthly reports regarding the timeliness of regular UI payments called the First Payment Time Lapse. This chart represents initial payments within 14 calendar days after the first compensable week-ending date, regardless of when the claim was filed. One of the challenges with this data is that a significant

number of claims have been retroactively filed, meaning a claimant could submit a certification on July 20th for the week ending date of June 13th. DOL considers this timely if it were paid by June 27th. This phenomenon is unique during this pandemic. Also, claims that are pending identity verification and re-computations are a factor.

Table 5. Regular Unemployment Insurance First Payment Promptness Data¹

	March	April	May	June	Avg.
2020 First Payment Promptness	87.8%	60.8%	69.9%	51.9%	67.6%
2019 First Payment Promptness	75.9%	76.1%	75.0%	78.7%	76.4%

This summarizes the current state of EDD's UI claims administration, complete with our successes and our areas that need improvement. I appreciate the support of the administration in serving Californians in this time of economic distress. I want to acknowledge the hard-working members of EDD who have been working tirelessly to provide assistance to California's workers during the pandemic.

Sincerely,



SHARON HILLIARD
Director