



Minnesota Unemployment Insurance Technology Initiative Project

Category: Digital Government – Government to Citizen

Executive Summary:

Minnesota's Unemployment Insurance Technology Initiative Project (UITIP) was conceived as a business redesign project leveraging current technology to move Minnesota's Unemployment Insurance Program into the 21st century.

The unemployment insurance program was created during the 1930s as a response to high level of unemployment during the Great Depression. Over the last 70 years, most states – including Minnesota – operated the program using a heavily staff-mediated business model; very few customer transactions were completed without staff assistance. Beginning in the 1990s, as funding levels remained flat and the labor-force (and therefore the potential base of unemployed workers) grew, historic business models were clearly becoming untenable should a major economic downturn occur. A staff-mediated business model would no longer be able to respond to a rapid increase in the number of unemployed workers. At an individual level, applicants for benefits would not be served promptly and victims of the economic downturn might face many weeks without income. At a macro level, the program's ability to inject money into the economy, maintain spending levels and help avert a deepening recessionary spiral, was also at risk. With this risk in mind, Minnesota embarked on a business redesign effort that would leverage web-based technology to enable citizens to transact much of their business with the UI program on their own, and reserve valuable staff resources for those activities that were either too complex for customers to do on their own or require additional integrity checks by staff.

Minnesota UITIP began in June 2003. It was a two-phase project. Phase I was focused on redesign of the unemployment insurance tax collection processes. Phase I also established the technical framework for what would become a fully integrated UI Tax and Benefit payment system – the first in the country. Phase I was implemented in June 2005. Some highlights of the achievements of Phase I are:

- More than 95 percent of all employers report quarterly wages and make tax payments electronically with no staff assistance;
- Increased timely reporting of wage information;
- Increased timely collection of unemployment insurance taxes;
- Employers can maintain their own account information;
- Staff resources associated with these activities was reduced from approximately 90 full time positions per year to 20 full time positions per year.

Phase II of UITIP began in July 2005 and was implemented in October 2007. Highlights of Phase II are:

- More than 90 percent of applicants apply for benefits using the web portal;
- Aside from the processes related to determining eligibility, applicants can complete all steps of all processes without staff mediation;
- Applicants can maintain their own account information;
- Three hundred percent increase in staff productivity for eligibility processes;
- Despite an 80 percent increase in the number of applications for benefits and weekly requests for benefits, Minnesota has been able to stay on top of the workload, make timely first payments and provide a high level of customer service.

C. Description of the Business Problem and Solution:

Problem Statement

In 2002, the Minnesota Unemployment Insurance (UI) Program faced a number of challenges:

- Improve service delivery without an increase in federal funding (Department of Labor). For Federal Fiscal Year 2001 (Oct. 1, 2000-Sept. 30, 2001) base federal funding was \$35.5 million. In Federal Fiscal Year 2009, base federal funding was \$38.6 million (8 percent increase). In contrast, the annual average number of unemployed workers in Minnesota went from 110,216 in calendar year 2001 to 159,825 in calendar year 2008. (21 percent increase). UI had not experienced an increase in federal funding for the last several years and anticipated continued flat funding for the foreseeable future as well as increased workload;
- Upgrade and/or replace aging technical systems (27 year-old systems) to align with the new business model and reduce overall maintenance and support costs. Current systems were not easily modified in response to changes in the business and operating environment (e.g., legislative mandates);
- Expand the number of electronic service delivery channels to meet the increasing expectations of customers and stakeholders interacting with UI in the information age (e.g., individuals, employers, etc.). The intention was to migrate to a self-service model for routine business interactions; and
- Improve the efficiency and effectiveness of UI staff by improving business processes and presenting expanded information and tools at the desktop.

Approach

Because of the large scope of the project and because the UI program had to continue to operate without interruption, a Request for Proposal was prepared. BearingPoint was chosen as the vendor.

The project was implemented in two phases:

Phase I: June 2003 – July 2005 focused on:

- Developing and implementing a new web-based self-service application and phone system to support staff, employers, and employers' agents. The self-service application would allow employers to:
 - register and maintain their account;
 - submit quarterly wage detail reports online;
 - pay taxes and fees due with ACH credit and debit;
 - keep track of benefit charges online;
 - provide secure access to an agent.
- Establishing an infrastructure to build an integrated UI system.

Phase II: July 2005 – October 2007 focused on:

- Developing and implementing a new web-based self-service application and phone system for UI applicants to:
 - Apply for benefits;
 - Request payment of benefits;

- Modify their account information, e.g., update address;
- Submit information about any employment issues in question (quitting a job, refusing a job offer, etc.)

A part of each phase of the project was a series of focus groups designed to gather feedback from groups of customers of Minnesota unemployment insurance. Groups of customers were shown prototypes of the self-service system, focusing on some of the features, navigation, and screen designs. After viewing and 'testing' the site themselves, the participants provided feedback on the usability of the design. The members of the focus groups for Phase I were employer customers and agents (those who represent employers) customers. For Phase II, the focus groups were made up of individuals (current applicants and requestors of unemployment benefits) and employers. Based on this feedback, improvements were made to navigation, screens, and wording.

Communications

Phase I

The target audiences for communications for Phase I were Minnesota employers and their agents. To effectively prepare these audience groups for the transition to a new way of interfacing with UI, the groups were segmented based on the method they were accustomed to using to submit their unemployment insurance reports and payments. Customized communication strategies were prepared based on the degree of change required for each employer group to be successful using the new self-service system. For example, employers who had been mailing in paper forms were expected to experience more angst in shifting to a new way of doing business. In response, the UI program accommodated their needs by creating an IVR (interactive voice response) method to file their wage reports. This is used by about 1% of employers – those having fewer than 10 employees and no ready access to the Internet.

Communications to raise awareness of the large payroll reporting agencies were started in December of 2003 because of the necessity for changes to their business practices and technology. This customer group was included in dialogues with Minnesota UI on a regular basis up to and after implementation of the self-service system.

Communication and education with all employer customer groups started in October 2004 with general awareness as a goal. As implementation grew nearer, more specific and customized information was mailed and an e-mail address was established to respond to individual questions and concerns.

Phase II

Since the customers affected by Phase II of the project were more transient than the employer customers, the communication strategy for this phase was to focus first on helping individuals who were currently requesting unemployment benefits make the shift to a new self-service system. Targeted mailings with detailed instructions were started six weeks prior to implementation.

The second customer group focused on was those who are unemployed annually due to the seasonal nature of their work. Labor unions, the local media, and WorkForce Centers (providing career exploration and job seeking assistance) were notified of the new self-service system. Presentations were made to organizations requesting further information.

Cost

The cost of the 4 year, 6 month project was \$50 million.

D. Significance of the Project:

This project effectively created the first integrated unemployment insurance program in the nation. For the first time, the wage information submitted and payments made by employers is integrated with the benefits applied for and paid out to unemployed workers.

Prior to the system redesign, the UI program operated on twelve different system platforms. The project integrated all UI business activity on one system platform.

Significance to businesses

Employers can view information about the charges to their accounts which are caused by benefits paid out to their former employees. Corrections are made and information is exchanged more quickly by employers having almost 24/7 accessibility to their account information.

Significance to individuals/citizens

Unemployed workers in Minnesota are able to:

- apply for unemployment benefits;
- view and maintain their own account information (address, income tax withholding, payment method), and;
- receive and respond to requests for information;

without having to physically drive to an office, wait for mail delivery, or speak to an unemployment staff person. However, for those not comfortable with the Internet, an automated phone option that parallels the web-based system is also available.

Operational Efficiencies

Phase I

In 2003, employers submitted their wage information by paper, magnetic tape, or through another state agency's site. Processing required 90 staff and three months. In 2008, 98% of employers use the online method and 2% the automated phone. Processing is completed by 20 staff in just one month.

Phase II

Work is able to be sorted within the system in different queues that are set up by the type and level of complexity. The work queues are then accessed by staff who are skilled in the particular issues to be completed. In addition, the phone system now allows customer calls to be directed to designated phone groups. These groups are made up of staff with training to answer specific types of phone calls. For example, newly hired staff are productive after just two weeks of training; answering phone calls from customers wanting to apply for benefits. Because of the system allowing management the ability to direct phone calls and the type of work, staff are more efficient and new hires are productive more quickly. Before implementation of the new system, the work was sorted by Social Security number and the staff were assigned certain number ranges. This way of managing workflow did not take into account staff experience or skills.

E. Benefit of the Project:

Minnesota's Unemployment Insurance Technology Initiative Project was an innovative and successful response to funding levels that were not keeping up with the needs and

service expectations of employers and unemployed workers. Rather than simply making tweaks to technology that was already outdated, Minnesota took a giant leap forward and completely changed its business model to offer its customers the ability to view and update their own information without staff assistance.

Closely following the implementation of the new system, business processes were overhauled with an emphasis on improving efficiency. Building flexibility into the workforce for the purpose of increasing responsiveness to customers and improving timeliness of payments was a primary goal.

Employer customers find it easier and more convenient to work with the UI Program:

- Online service access is generally available 24 hours per day 7 days per week (subject to certain batch runs);
- Two separate quarterly reports that employers were required to submit were combined into one quarterly report. Tax calculations are done by the system based on wage information submitted;
- Electronic filing more efficient as virtually all employers manage payroll electronically today.

Applicant customers find it easier and more convenient to work with the UI Program and they can see more information about their own account:

- Key services have shifted from paper and phone to the Internet;
- More services available on the Internet and availability is 6:00A.M. to 6:00 P.M Monday through Friday;
- Customer access is not limited to staff hours of 8:00 to 4:30 Monday through Friday;
- Internet also available many state holidays;
- Web access available on Sunday if essential.

The self-service system offers applicant customers the benefit of guiding them to the tasks that need to be completed on their account. The goal here is to assist applicants in providing the necessary information as quickly as possible to help ensure their unemployment benefits are available to them. The system does this by recognizing the applicant after they have successfully logged in to their account - either online or via the telephone. Once that recognition takes place, the system knows what business needs to be done by the customer and moves them to that process whether it is applying for a new account, providing additional information needed to make an eligibility decision, or requesting a benefit payment. The customer does not need to be well-versed in unemployment law to do what is required in order to receive benefit payments.

Measures and Outcomes

Goals and outcomes of Phase I

1) Improve and expand customer self-service solutions to minimize staff intervention.

- Target: Reduce manual processing to achieve a 30 percent reduction of staff to do the work.
- Results: Number of staff in employer customer service was reduced from 90 to 20.

2) Redesign employer services with the ability to support integrated UI business applications in the future.

- Target: 90% decrease of Tax VSAM files to support the UI Program.
- Results: Reduced 90% of VSAM files; reduced maintenance and support costs & time it takes to perform system changes; increased customer service.
 - Employer Registration: from 2-7 days to immediate;
 - Wage Adjustments: from 15-50 days to immediate – 2 days
 - Wage Detail Processing: up to 60 days to immediate – 1 day
 - No tax form to complete
 - Tax calculations done by the system
 - Employers manage their own account
 - Available 20+ hours / 7 days a week

Goals and outcomes of Phase II

The new self-service system, more efficient business processes, and a flexible workforce combined to create an organization able to effectively respond to an ever-increasing workload.

1) Increase levels of production.

- Results: Between 11,000 and 12,000 issues per week are being resolved due to the system sorting issues by type and complexity into different work queues so that appropriately skilled staff can complete them.
- Results: Straightforward, uncomplicated eligibility issues are now automatically adjudicated by the system (frees-up staff to work on more complicated issues).
- Results: By the end of 2008, 80% of applicants were applying for unemployment benefits online with no staff assistance.
- Results: Now managing nearly 25,000 staff-assisted phone calls weekly with wait times under 3 minutes.
- Results: Reduced training time:
 - New staff are answering customer phone calls after 2 weeks of training compared to 2 months.
 - Staff are adjudicating issues after 3 weeks of training compared to 6 months.

2) Improve timeliness.

- Results: The system contains 300 customized questionnaires that are presented to applicants to complete early-on in the application process. Prior to the system redesign, eligibility issues were identified after an application was submitted, and then a questionnaire was mailed out for the applicant to complete.
- Results: 100% of eligibility (other than those involving wages on an account) determinations are now completed within the same week they are identified.