TNFORWARD

TOP TO BOTTOM REVIEW

Chapter 15

LABOR & WORKFORCE DEVELOPMENT

HIGHLIGHTS

- Introduced legislation to implement the federally mandated Treasury Offset Program (TOP) to enhance the department's ability to recover Unemployment Insurance (UI) benefit overpayments due to fraud, under reported or unreported wages. If implemented, TOP would allow the department to recover UI benefits by intercepting federal income tax refunds. The recovery of these funds could result in approximately $13.7 million being added to the Unemployment Insurance trust fund, which would serve to keep unemployment tax rates low for all of Tennessee's employers.

- Implemented an Interactive Voice Response System (IVR) to increase self-service options for UI claimants. Increased automation allows TDLWD to process UI claims in a more efficient and accurate manner. The UI Claims Center receives anywhere from 5,000 to 70,000 call attempts to the center each day. In 2011, the Claim Center received over 2 million call attempts. This IVR automation effort will increase efficiencies by allowing claimants to perform simple functions via the IVR system, thereby eliminating the need for a costly overflow call center. This will save the department approximately $100,000 per month or $1.2 million annually.

- Creation of a Jobs Clearinghouse to provide one comprehensive resource for career opportunities in Tennessee. One stop shopping would allow job seekers to distribute a resume while simultaneously "crawling" websites for employment opportunities. The Jobs Clearinghouse would also increase the ability of employers to identify qualified applicants. In addition, the system will provide immediate access to vital labor market information on the current and future economic landscape of Tennessee. This service would be important to our business community, elected-officials, higher education institutions, and economic development organizations.

INTRODUCTION

The mission and focus of Tennessee Department of Labor and Workforce Development (TDLWD) is to enhance economic prosperity in Tennessee by developing targeted strategies that support the creation of high quality jobs, advance communities, and support the training and growth of a 21st century skilled workforce while promoting workplace health and safety. TDLWD plays a huge role in the lives of both Tennessee businesses and citizens. For businesses, our TOSHA, Workplace Regulations and Compliance, and Workers' Compensation divisions help businesses grow and thrive and assist them with making the workplace safe for their employees. For citizens, our Employment Security, Workforce Development, and Adult Education divisions provide opportunities for adults to receive the education, training, and assistance they need to find and secure employment and make a better life for themselves and their families.

Through the Top to Bottom Review process, we have been empowered to rewrite our future by updating old policies and procedures, implementing new ones, and putting to rest the "that's the way we've always done it" approach to doing business. It is our desire to positively apply resources in new and innovative ways in order to achieve desired results. It takes thousands of people and thousands of hours to properly administer our programs over Tennessee's 95 counties. We recognize that we cannot accomplish our goal alone. Only through having great working relationships and creating a positive synergy with businesses, communities, educational institutions, and other state departments can we achieve our mission and raise the standard of services to all in the State of Tennessee. In this time of constant change and, realistically speaking, ever decreasing funding, we must position ourselves to be as efficient and effective as possible while still providing the same or increased levels of service to our customers. We believe this Top to Bottom Review is our first effort toward that end. We like to think of Top to Bottom Review as an "ongoing effort" where we will remain ever vigilant in the assessment of our policies and procedures and position ourselves to respond to change as quickly as possible.

Therefore, we are confident that the proposed recommendations and realignment of programs will strengthen the labor and workforce development system in Tennessee as well as provide excellent customer service to our internal and external customers. Tennesseans expect this, they deserve this, and we aim to meet their needs.

APPROACH/METHODOLOGY

The Top to Bottom Review was not just another exercise in strategic planning or a plan that works only on paper…it provides meaningful direction that is both actionable and sustainable for the future. In order to comply with the charge from the governor to identify opportunities where we could improve our effectiveness and functionality, TDLWD kicked off the process with an employee survey seeking specific insight. The anonymous online survey was sent to all 1,900+ department employees. We received responses from 576 individuals who provided a total 5,040 responses to the survey questions. Through recursive abstraction, we read through, identified, and grouped all of the responses. Based on the responses received, several key recommendations emerged including: increase training opportunities, increase communications, implement career development and succession planning, and improve/consolidate IT functions to improve efficiency. These improvements are necessary in order for us to service our numerous internal and external clients more effectively.

We also received the input of over 700 external business stakeholders via survey. These businesses gave us insight on how our department could be perceived as being more "business friendly". We learned from their responses that businesses require more effective communication of rules & regulations, and also need more comprehensible explanations of tax, premium, and fee related departmental activity.

The next step was the initiation of Program Review Teams (PRTs) which were charged with completing a comprehensive examination of each component of all departmental programs. The review was designed to specifically identify the existence of process redundancies, unnecessary complexities, ineffective processes, and archaic processes. Each program formed PRTs comprised of the appropriate internal and external stakeholders as well as key knowledgeable frontline staff. In addition, specific efforts were implemented to ensure there was adequate geographic representation from across the state (i.e., central office staff, field staff and sub-recipients, etc.). During the PRT review process, each team completed an extensive questionnaire and developed process flowcharts of each program function to identify opportunities to reduce operational complexity and improve efficiency.

After the PRT reviews were completed, the Program and Policy Review Team (PPRT), comprised of the commissioner, deputy commissioner, administrator of finance and other key personnel, observed over 30 two-hour detailed presentations outlining findings and recommendations. The presentations were led by administrators from all divisions within TDLWD. The administrators were also accompanied by PRT members, including all subject matter experts for their

respective programs. After the presentations were completed, the PPRT conducted a more thorough review in order to draft final recommendations. Those recommendations follow this introduction.

RECOMMENDATIONS

Recommendation 1: Develop a digital records management system to preserve GED credential records dating from 1944 to the present.

> ***Discussion:*** Over 300,000 records currently stored in multiple print and electronic formats, are vulnerable to age, natural disaster, and obsolete equipment/software. Records are used daily to provide documentation of education for employers, academic institutions and the military. This project is critical to the preservation of vital education records in danger of being lost. Converting the records into one digital records management system will significantly reduce research time and allow adult education staff to provide important education records to individuals, academic institutions, business/industry and the military in a more cost effective and time efficient manner. By 2016, we expect a digital records management system to decrease turnaround time for processing records requests by 50% making the process more efficient for the customer and for staff.

Recommendation 2: Re-centralize the procurement function of the Employment Security Division to reduce man hours associated with purchasing.

> ***Discussion:*** The procurement function for Employment Security Division is currently decentralized in 62 career centers and field operations (central office). The Fiscal Division's procurement area currently processes an average of 55 calls per month from field personnel who call for assistance on how to place requisition orders in Edison. The goal is to centralize 100% of the career centers' procurement function. This will result in a decrease of requests for assistance and increased efficiency in the procurement process.
>
> **This recommendation has been completed.**

Recommendation 3: Maximize lease space and centralize operations.

> ***Discussion:*** The department is actively exploring all opportunities to consolidate remote operations and non-state occupied operations into common state-owned leased space. Additionally, the department is reviewing how to more effectively utilize existing state-owned space by reorganizing existing operations. By early 2013, the department will move its Nashville Call Center and unemployment insurance satellite operations from leased space into the central office. This move will result in a permanent cost savings of $531,800 annually. To enhance services for the veterans we serve, we have also combined space with the Department of Veteran Affairs in Dyersburg which is projected to result in an approximately $6,500 annual savings. In addition, we are also exploring the potential of co-location with the Department of Veterans Affairs in Talbott, Cookeville, and Crossville which will result in additional cost savings. The co-location of these services will also enhance our ability to provide more comprehensive services to veterans and reduce approval delays for services.

Recommendation 4: Create a Jobs Clearinghouse to provide a unified platform and one-stop, self-service for both employers and job seekers.

> ***Discussion:*** The function of the Jobs Clearinghouse is to create a trusted, valued source where job seekers and employers can connect seamlessly under one system. This one-stop shopping would allow our applicants to distribute their resumes while simultaneously "crawling" websites for job opportunities. The Jobs Clearinghouse would also increase the ability of employers to identify qualified applicants. Furthermore, the system will provide access to geographic information systems data on each community and region's industry strengths and educational attainment levels, projected workforce needs, and the training and education requirements for high demand career fields. This service would be important to our business community, elected-officials, higher education institutions, and economic development organizations. The system is currently in a pilot

stage in Middle Tennessee and scheduled to go live statewide in February 2012.

This recommendation has been completed.

Recommendation 5: Refocus on Employer Services and enhance job seeker services.

Discussion: An advisory committee has been established and will provide a direct link between the administration, front-line, and technical support staff. This advisory committee will have vital input concerning daily operations of Career Centers, implementation/streamlining programs, and the delivery of services. One of the first projects the advisory committee is working on is the centralization of employer job orders. Currently, job orders submitted by employers are routed to many different staff assigned to perform varying functions within the Career Center. This process leads to employers possibly talking to many different staff to answer questions or process changes on one job order. Centralizing this process will improve the quality of job orders taken, enhance communication with employers, and ensure there are fewer outstanding referrals on job orders. The Middle Tennessee Centralized Job Order pilot will be implemented by early April 2012. If it is a successful pilot, the model will be expanded to West and East Tennessee.

Recommendation 6: Increase automation of Unemployment Insurance (UI) claims processing by replacing the current system with the Interactive Voice Response System.

Discussion: The department has implemented an Interactive Voice Response System (IVR) to increase self-service options for UI claimants. Increased automation allows TDLWD to process UI claims in a more efficient and accurate manner. The UI Claims Center receives anywhere from 5,000 to 70,000 call attempts each day. In 2011, the Claim Center received over 2 million call attempts. This IVR automation effort will increase efficiencies by allowing claimants to perform simple functions via the IVR system, thereby eliminating the need for a costly overflow call center. These functions will include, but not be limited to, unlocking pin numbers and changing addresses without delays. While additional part-time staff will be added to assist with calls that involve issues which cannot be resolved via the self-service model, the implementation will result in a cost savings of approximately $100,000 per month.

This recommendation has been completed.

Recommendation 7: Increase efficiency in the response phase of the UI claims decision-making process by interfacing the case management system with the claims center system to share information with others in the decision-making process.

Discussion: Implementing the case management system will increase efficiency by replacing the current paper process with an electronic tracking system that will provide all parties involved with real-time information regarding the disposition of the claims. This implementation will reduce the delays in the resolution of claims for unemployment benefits. It is anticipated that decision making efficiency will increase by 40% thereby reducing the average decision wait time from 8 weeks to 5 weeks.

Recommendation 8: Increase efficiency in the claims process and reduce errors by creating a statewide claim centers unit training program.

Discussion: The department has formed the UI Education Task Force and the UI Integrity Task Force. The task force members hold a cumulative knowledge base of over 200 years of UI experience and are responsible for the development of training instruments for staff. During the initial implementation phase, the task force members and UI claims staff identified educational needs for current and future staff. Subsequently, the training tools were developed and new hire training is currently being implemented. The new hire training lasts approximately 3 weeks. We will also provide ongoing/refresher training for existing staff. In addition, "Claim School" for existing staff is scheduled to begin in early summer of 2012. As we move forward, refresher training will be conducted once a year in person and additional training may be conducted via conference call or webinar as required. Furthermore, in early spring of 2012, job plans will be produced which will include quality and accuracy requirements. In addition to making the claims process more efficient, the training and revised job plans will also establish guidelines and standards for quality and allow the TDLWD to "benchmark" the status of improvement in regards to our performance improvement efforts. As a result, the department will increase efficiencies in processes, increase job satisfaction and morale among employees, reduce employee turnover, and enhance the department's image.

Recommendation 9: Expand Appeals Tribunal Unit to address demand and backlogs.

Discussion: The current caseload in the Appeals Tribunal has reached unprecedented numbers due to the state of the economy and sustained high unemployment rates. The number of cases has more than doubled, while our staff was reduced by buyouts in 2008 as well as additional staff and hearing officer attrition due to retirements. In favorable economic conditions, the Appeals Tribunal would receive approximately 15,000 requests for hearings annually. However, since 2008, the annual number of appeals cases has grown to over 36,000 cases. The existing staff is not sufficient to meet the current demand. Due to the unprecedented number of Unemployment Claims filed, the Appeals Tribunal experienced a back log of appeals. This has increased the time to get a hearing from 3 weeks to 8 weeks, which creates difficulties for employers and claimants. Currently, more appeals are filed each week than are heard. We receive approximately 690 appeals per week yet hear approximately 620 per week. Therefore, the agency has hired additional staff, worked overtime, and increased the number of hearings each day to reduce the backlog. As a result of these efforts, we have successfully reduced the backlog from 8,000 appeals to approximately 2,800.

Recommendation 10: Detect, reduce, and collect Unemployment Insurance overpayments.

Discussion: This recommendation is multi-faceted. The first step was for TDLWD to improve claimant and employer messaging thereby resulting in the prevention and reduction of overpayments. Therefore, the department has revised communications (the messaging) to customers on overpayment tips and internet certification to help reduce the number of overpayments.

Secondly, the administration has introduced legislation to implement the federally mandated Treasury Offset Program (TOP) to enhance the department's ability to recover Unemployment Insurance (UI) Benefit Overpayments due to fraud, under reported or unreported wages. If implemented, TOP would allow the department to recover UI benefits by intercepting federal income tax refunds. The recovery of these funds could result in approximately $13.7 million being added to the Unemployment Insurance Trust Fund which would serve to keep unemployment tax rates low for all of Tennessee's employers.

Thirdly, the department is in the final development stages of a new information technology case management system that is scheduled to "go live" by late summer of 2012. The case management system integration, among many things, will reduce the Benefit Payment Control Unit (BPC) staff time for assembling documents in order to make overpayment decisions and will make the necessary

documentation immediately available in electronic format. The case management system will also allow BPC decisions and additional documents to be made part of the claimant's electronic file thereby providing other appropriate departmental staff knowledge of actions being taken in BPC.

Also, the department plans to initiate collection of existing overpayment debt by NCO Credit Services. This initiative will not cost the department any time or personnel resources. However, the department will pay 7.5% of what is collected by NCO Credit Services to cover the cost of the initiative. Therefore, we have begun to populate queries and data files to transfer data to NCO for collections by early March 2012. Finally, the department also needs to provide adequate staff to reduce and eliminate the BPC backlog of overpayment cases.

Recommendation 11: Increase efficiency and convenience of the payment process for businesses and the department.

Discussion: The department is exploring the process of automating the wage update system. The goal is to create a system that accepts payments by phone or online using a check or credit card. This will provide a more convenient process for claimants and businesses to make necessary payments to the department such as taxes, overpayments, or penalties. An automated payment system would also significantly reduce staff time involved in processing paper check payments.

Recommendation 12: Increase efficiency of partial claim submission by completely automating the process and including small employers.

Discussion: TDLWD has taken steps to upgrade the automated partial system that is currently utilized by larger employers only. A new automated center will allow employers to submit directly to a web-based system which will increase efficiency of partial claim and lack of work submissions. This upgrade would also allow those businesses with 50 or more employees to utilize this system. Nearly 650 employers file for partial weeks of unemployment

insurance benefits for their workforce through the automated system. As of September 2011, the Claims Center processed 154,101 telephone claims with approximately 90 Interviewers and the UI Claims Center processed 112,780 automated partial claims. However, during testing of the automated system, one interviewer was able to process 37,593 claims; a telephone interviewer was only able to process 1,712 claims within the same time frame. An enhancement of this automated process will also allow the unit to operate more efficiently, especially when making changes or corrections to the claims submitted by employers. Currently, employers submit claims electronically, but the Automated Partials Unit (3 staff persons) have to verify that the information being filed is correct, make any corrections, and then send those claims to the mainframe programmer for processing. With the new, web-based automated partial system, the employer will submit the information directly into the system. If there is an error, the employer will be notified electronically to make the necessary corrections before the claim is processed. This process will reduce processing time, increase accuracy, and reduce the number of employees in that unit to two staff. The remaining position will be transferred to assist with telephone claims unit.

Recommendation 13: Reduce Work Opportunity Tax Credit (WOTC) program application backlog to provide Federal Income Tax Credits to Tennessee's For-Profit Employers in a timely manner.

Discussion: Tennessee's WOTC unit processes tax credits for employers who hire and retain individuals who fall into established categories, including Department of Human Services (DHS) participants and veterans. In FY 2011, the department processed 50,025 applications which represent a potential tax saving to Tennessee employers in excess of $201 million. However, despite processing a record 50,025 applications, the department still has a huge back log of 70,000 applications. The backlog was the result of the program not being reauthorized by USDOL for almost a year in 2009. As a result, no applications were processed. Nonetheless, tremendous interest has grown in the WOTC program during the recession (approximately 10% annually) because of its value to employers. The increased number of applications has also made it difficult to eliminate the existing backlog. Therefore, the department is collaborating with DHS to develop an automated process to verify applications for DHS participants. This collaboration is very valuable because approximately 87% of WOTC certifications require verification from DHS. We anticipate having the ability to access the DHS Clearinghouse data system to cross-match applications by late Fall of 2012. Furthermore, existing systems used by other state's WOTC Units are being evaluated and the department's IT Division is doing a cost/benefit analysis to determine the best course of action. The TDLWD is also considering implementing a LEAN management event for the WOTC program to assist with the elimination of the backlog.

Recommendation 14: Strengthen and maintain strategic partnerships with Education and Economic and Community Development (ECD) to address needs and leverage labor market data resources to enhance funding opportunities.

Discussion: The department will continue to partner and consult with workforce investment boards and other key workforce and economic development partners and stakeholders by providing data analysis and publishing relevant economic analyses, special workforce information, and/or economic studies. This information will be of benefit to the governor and state and local Workforce Investment Boards with decisions such as type and location of training programs and business recruitment and expansion initiatives.

Recommendation 15: Realign regional marketing territories to match the "Jobs4TN Base Camps" to enhance partnerships with ECD as well as business recruitment and expansion.

Discussion: This realignment will also afford TDLWD and ECD an additional opportunity to work as a team to assess ways to enhance regional economic development and focus on best practices and strategies to improve each region's effectiveness in business retention, expansion and recruitment. These efforts will also provide a cross-functional process that creates and promotes relationships with customers and other stakeholders by strategically influencing all messages sent to these groups and encouraging data-driven, purposeful dialog. The marketing staff has met with ECD staff to discuss our realignment to the "Jobs4TN Base Camps". The marketing staff has also been assigned new territories, targeting counties where business/employers have active hiring needs. TDLWD's existing Workforce Employer Outreach Committee (WEOC) forums meet each quarter across the state and will be used as an economic forum, partnering with ECD and businesses. Metrics to measure success will include the marketing scorecards which compare frequency of employer outreach by marketing staff with the amount of job orders submitted and utilization of services by new and existing employers at Tennessee Career Centers.

This recommendation has been completed.

Recommendation 16: Create a marketing and communications clearinghouse.

Discussion: A clearinghouse for TDLWD marketing will ensure that all collateral materials, communications, and messaging meet the highest standards of design and content consistency by setting parameters, templates, guidelines, and

processes through the clearinghouse. The cost savings would involve the initiation of exact cost allocation of marketing materials to the correct requesting division. Cost savings also exist with the management of inventory on hand vs. storing at Central Stores (pending quantity).

This recommendation has been completed.

Recommendation 17: Reduce the number of paper reports by utilizing OIR's Document Direct System.

Discussion: The Top to Bottom Review allowed TDLWD to evaluate what we incur in purchasing costs, repairs, copying, printing, and postage. In order to reduce our consumption of paper and increase efficiency at work, TDLWD plans to eliminate unnecessary paper forms/reports and convert to an electronic process. Staff will use intranet based reporting, electronic search capabilities, export data and import into spreadsheets, as needed. OIR's Document Direct System will also allow remote offices to obtain reports faster and reduce the amount of physical storage needed. Because the use of paper documentation is still required by law for some reports, TDLWD is planning to convert 400 of 1,000 reports to OIR's Document Direct System. Currently, 100 reports have been converted. This recommendation is estimated to result in a 15% reduction in staff time spent on report generation. This project will have an initial cost of $80,000 because it requires 10 labor hours per report to move to Document Direct. Utilizing existing staff who are already assigned to existing projects, it has taken 15 months to finish 1,000 labor hours to move 100 reports. Therefore, it is estimated that it will be an additional 45 months to complete the project (August 2017). However, we anticipate a cost savings of approximately $50,000 per year once the project is complete.

Recommendation 18: Reduce the use of 120-Day Retiree Appointments.

Discussion: TDLWD has identified multiple occasions where poor planning has led to the necessity of bringing retired employees back to work on 120-day appointments and re-appointing those same employees multiple times, resulting in retired employees continuing to work for several years at additional expense to the department. The goal is to correct this issue by developing a succession development program. This program will provide knowledge and skills training to employees and also provide development of supervisory skills for the effective planning for scheduled and projected retirements. The department will save an average of $10,800 per appointment ended. Therefore, TDLWD anticipates eliminating at least 15 of the appointments by the end of FY 2013 for a savings of approximately $162,000.

Recommendation 19: Re-align, cross-train, and reduce staff.

Discussion: TDLWD plans to realign, cross-train, and reduce staff in order to save approximately $270,000 on an annual basis. The restructure will occur in the following areas: Legal Division, including the Second Injury Fund (SIF); Worker's Compensation (WC) Penalty Program; and Workplace Regulations and Compliance's Labor Research and Statistics (WRC) unit. In Legal, one support staff position will be re-aligned into the ES Appeals Division and one part-time position will be eliminated. Legal support staff workload will be redistributed to operate more efficiently and the support staff will be cross trained to assist the entire legal division. SIF staff attorneys will increase efficiency by restructuring areas covered by attorneys. This restructure will also reduce travel for these attorneys and result in additional cost savings. Cross-training will increase legal staffing efficiency and scheduling flexibility to improve customer service and enhance division efficiency by reducing the total number of cases and/or backlogs. The WC Penalty Program will be restructured to increase its productivity and effectiveness by eliminating the

permanently assigned attorney position. However, it will utilize the legal services of existing attorneys in the division and add a Workers Comp Specialist position, which will be adequate for the program's needs and will reduce costs. The WRC Division has eliminated one vacant "Statistician 2" position that has been vacant for three years. The department has not incurred any loss in efficiency due to this vacancy.

Recommendation 20: Re-align Rapid Response Coordinators to the ECD regional "Jobs4TN Base Camps" to improve Rapid Response (RR) coverage and increase program efficiency.

Discussion: This re-alignment would result in better coordinated planning and identification of staff resources and roles, increased collaboration with ECD regional "Jobs4TN Base Camps" and enhanced service delivery. In addition, Rapid Response services can be further expanded to include lay-off aversion strategies that prevent lay-offs and closures, thereby retaining businesses and jobs throughout the state. There is also the potential savings through travel reduction as well as increased service to employers/employees. A cost savings of $70,000 would also be realized by the elimination 1 staff position. Work will be redistributed among existing staff.

Recommendation 21: Reduce staff positions in the Workforce Development Division to streamline processes and procedure within the department.

Discussion: Staff involved in this transition will be cross-trained and job plans for the retained positions have been redeveloped. TDLWD provided reduction in force letters to affected employees on December 6, 2011. This reduction is force will result in a cost savings of $337,000.

This recommendation has been completed.

Recommendation 22: Enhance data sharing to reduce the burden to provide information for program participation.

Discussion: TDLWD will enhance data sharing opportunities to achieve better outcomes for our customers, reduce paperwork burdens, and improve coordination of service delivery. This initiative will also eliminate redundancy by minimizing the amount of information that has to be provided by program participants to multiple state agencies during the intake and eligibility process and remove some of the burden off of the customer. It will also limit the amount of redundant information that customers have to report to different divisions of Labor & Workforce Development.

Recommendation 23: Seek a waiver from the federal government to request necessary flexibility to the Workforce Investment Act (WIA) Youth Program.

Discussion: Currently, the WIA Youth Program provides eligible youth linkages to employment and education. TDLWD has submitted a waiver request to the federal government to provide Local Workforce Investment Areas (LWIAs) flexibility in WIA Youth Program design in order to cut cost and improve services. Approval will take about 3 to 6 months. However, by gaining the waiver for some required elements, LWIAs will be able to cut overhead costs and improve services to participants. This waiver will also help LWIAs who lack eligible providers to be in compliance with the federal regulations. The requested waiver will also enable administrative entities to generate a larger pool of funds. The larger pool of funds will drive down the cost of providing services and allow more youth to be served while also providing continuity of services and rapid implementation of the summer youth jobs program. As a result, the LWIAs will strengthen ties with work experience/internship host agencies and employers; and reduce administrative cost and allow follow-up services provided to participants which ensures more stability of services. If the waiver is approved, the estimated savings in the WIA Youth Program will be achieved by decreasing administrative expenses by approximately 3% which will result in approximately $464,000 in increases to direct services to WIA Youth.