

REPORT OF THE SECRETARY OF LABOR

**Interim Report on the Review of
the Virginia Employment
Commission (2022 Appropriation
Act, Item 363)**

TO THE GENERAL ASSEMBLY OF VIRGINIA



HOUSE DOCUMENT NO. 16

**COMMONWEALTH OF VIRGINIA
RICHMOND
2022**



COMMONWEALTH of VIRGINIA

Office of the Governor

G. Bryan Slater
Secretary of Labor

December 1, 2022

Members of the General Assembly
1000 Bank Street
Richmond, VA 23219

Dear Members of the General Assembly:

Per the 2023-2024 Budget of the Commonwealth of Virginia, the Secretary of Labor is required to provide an interim report of findings and recommendations to (i) identify specific actions that could be taken to improve the efficiency of VEC's UI operations, including through more efficient and effective use of staff and technology; (ii) recommend improvements to the agency's staffing and workflows to most effectively use existing federal funding for UI operations; and (iii) determine whether current funding is adequate to ensure effective UI operations. This letter serves to meet that requirement as an interim report of its findings and recommendations, with the final report no later than September 1, 2023.

A national firm with expertise in evaluating the efficiency of an organization's staffing structure, delegation of staff duties, and work processes was contracted to conduct a comprehensive efficiency review of the Unemployment Insurance (UI) operations of the Virginia Employment Commission (VEC). The VEC sought consulting services to assess and provide recommendations for the rapid elimination of all VEC unemployment claims and transform the agency from status quo operations to an organization that can deliver its mission with best-in-class efficiency and effectiveness that can thrive now and into the future. The consultant worked with VEC stakeholders to provide:

1. Current Process Analysis;
2. Best-In-Class Benchmarking;
3. Key Improvement Levers; and
4. Proposed Initiatives for the Agency.

The firm found that Virginia was not incorporating several key activities that other states implemented during the pandemic – setting the agency behind relative to their peers. At the same time, they also found, despite the immense pressures on the VEC due to unprecedented surges in claims during the pandemic, the UI operation performed some key, foundational elements upon which the can build going forward:

1. Mission-driven staff with a commitment to VEC and helping Virginians;
2. Talented and creative staff who have a passion to create a better customer experience;
3. Extensive experience in UI among leadership;
4. Flexible management team that recognizes the most important demands to help the agency achieve goals;
5. An open-door policy from leadership to management and staff;
6. Employees willing to constantly learn new things when change occurs;
7. An understanding of the future state to become an improved and more productive agency;
8. The ability to provide services to Virginians throughout ongoing challenges;
9. Process changes that significantly reduced backlog; and,
10. Fraud detection tools that identify fraudulent UI claims including emerging data analytics capabilities.

The firm stated VEC should pay attention to four core contributors to be successful in achieving agency goals:

1. Focused, priorities driven by leadership across programs must be constant, visible and communicated;
2. A transformation governance structure to empower people to make decisions and inspire innovative ideas to improve processes;
3. Managing initiatives through rigorous project-management; and,
4. Use of change-management framework, tools, and templates across the organization to energize, drive and support cultural transformation.

While on-site, the firm recommended sixteen initiatives that were implemented by the VEC. These initiatives focused on a training blitz for UI staff, NASWA connections and resources, daily operations meetings driven by VEC business leads, dashboard changes, fraud workstream capacity, and appeals process changes.

Working with VEC leadership, the firm organized the initiative structure around three core strategies and focus areas within the strategies:

1. Eliminating Backlogs
 - a. Processing claims in a timely manner
2. Becoming a Best-In-Class Employment Agency
 - a. Clear vision of process ecosystem, roles and accountability
 - b. Complementary regulatory structure and control environment
 - c. Customer-centric strategy
 - d. Moving to self-service as the primary interaction method with customers
 - e. Handling customer inquiries and issues on the first encounter with efficiency and quality
 - f. Intelligent communications internally and externally
3. Being Resilient to Changes in the Virginia Employment Ecosystem
 - a. Agile and effective governance throughout the organization
 - b. Tools integrated effectively to not only meet but exceed needs

- c. Being open to change and having the ability to react and adapt quickly by enabling strong leadership
- d. Data-driven, risked-based decision making
- e. Holistic professional development plan

The firm prioritized the capabilities where they believe the VEC's efforts would best be spent to improve the agency's performance dramatically and sustainably.

Next Steps

From the 16 initiatives recommended by the firm, the VEC team identified those with the greatest impact, collapsed recommendations around core themes, and established targeted workstreams. Working with the Chief Transformation Officer Eric Moeller, VEC Commissioner Carrie Roth, the VEC transformation team, we established transformation methodology to drive initiatives in five workstreams, with the customer at the foundation of every initiative:

1. Redesigning the Intake Process for Customer Experience and Efficiency;
2. Redesigning the First Levels Appeals Process for Customer Experience and Efficiency;
3. Talent and Performance Management;
4. Call Center Performance; and
5. Management Accountability Scorecard.

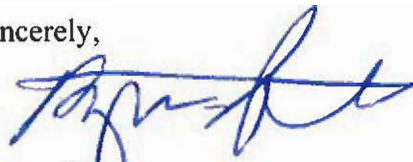
Assessing the Adequacy of Current Funding to Ensure Effective UI Operations

As the VEC has made significant improvements and reductions in the backlog, there will be budget requests to address current needs in the FY2023 to fill the gaps and allow the operations continue their improvements. Furthermore, the agency continues to apply and compete for supplemental funding from the federal government to support several key initiatives in areas such as fraud prevention and investigation, as well as process improvement. Despite these efforts, VEC expects significant reductions in available funding for FY 2024 due to the federal funding formula and the expiration of one-time funding from ARPA and other sources.

In conclusion, the VEC has identified numerous initiatives that can increase the efficiency of UI operations and optimize staff resources and workflow processes. Our team has already seen the positive results of many of these initiatives, but there remains significant work ahead. Implementing these initiatives will help the agency become best-in-class and ensure real Virginians have effective and efficient access to the benefits they have earned.

Please do not hesitate to contact me at bryan.slater@governor.virginia.gov or Commissioner Roth at carrie.roth@vec.virginia.gov if you have questions or need additional information.

Sincerely,



Bryan Slater

