

Kim Reynolds, Governor

Adam Gregg, Lt. Governor

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**WRITTEN STATEMENT OF BETH TOWNSEND
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U.S. SENATE FINANCE COMMITTEE
JUNE 9, 2020**

Thank you Chairman Grassley for the opportunity to share with you a “boots on the ground” view of the impact of the COVID-19 pandemic on a state workforce agency, charged with implementing the unemployment programs created in the CARES Act as well as processing traditional unemployment claims caused by widespread layoffs due to the COVID-19 pandemic. I want to preface my remarks by stating that I am woefully inadequate to sufficiently describe the Herculean efforts of every member of Team IWD to accomplish everything they have over the last three months. They have been on the front line of Iowa’s response to the pandemic assisting hundreds of thousands of their fellow citizens and have unfailingly demonstrated a truly inspiring level of dedication, professionalism, empathy and kindness for the people of Iowa who lost their jobs due to the pandemic. I am so very proud of their efforts and have witnessed firsthand the difference they are making in the lives of Iowans as they help them navigate the pandemic and the impact it has had on our lives.

To begin, it should be noted that Iowa has one of the more generous unemployment benefit programs in the country. We provide 26 weeks of benefits per year and our range of payments are from \$87 to \$591 per week, depending on wages and the number of dependents. The maximum rates by dependents are as follows:

- 0 dependents – up to \$481
- 1 dependent – up to \$500
- 2 dependents – up to \$518
- 3 dependents – up to \$545
- 4 dependents – up to \$591

Some Iowans could qualify for a maximum of 52 weeks of unemployment from the beginning of the pandemic based on the CARES Act provisions and the fact Iowa has triggered extended benefits for the first time since 1983.

To present the impact of the pandemic in its proper context, I want to first share some numbers from the week before the pandemic really hit Iowa. For the week ending March 14th we received 2,229 initial UI claims and 27,816 continuing weekly UI claims, which is consistent with our sustained low unemployment. We received an average of 800 calls per day, for a total of 4,155 received that week. We handled all but 13 calls for a call abandonment rate of 0.31% with an average wait time of 9 seconds. In the two weeks before the pandemic, we paid approximately \$12M each week in unemployment benefits and paid a total of \$129M in benefits year to date.

In response to community spread in the state, Governor Reynolds issued an Executive Order on March 17th that closed many of Iowa's businesses and overnight, tens of thousands of Iowans were laid off or unemployed. Immediately, the citizens of Iowa had questions and turned to IWD for information and support.

We immediately saw a significant increase in call volume, going from 800 calls a day to over 13,000 calls a day the week of March 20th, or over 16 times our normal level. Our daily claims numbers increased six fold from just over 2,000 to over 12,000 on March 17th.

On March 30th, the first business day after the CARES Act was signed into law, our call volume increased to 28,000 calls (35 times more). We also had our highest daily volume of claims received at over 16,000 (compared to an average of 400-500 per day pre-pandemic).

Iowa had the benefit of watching other states see marked increases in their claims numbers and customer assistance requests, so we had some lead time to prepare for the tidal wave we could see coming. I believe several things contributed significantly to the effectiveness of our response early on.

First, the management of our Trust Fund since the 2008 recession has provided Iowa with greater policymaking flexibility throughout the crisis. We used data and modeling from our Labor Market Information division to make strategic decisions including:

- Not charging contributing or reimbursable employers with current unemployment tax charges;

- Delaying many employees from filing claims in first two weeks by requiring they use paid leave before filing unemployment claims which was terminated after the passage of the CARES Act; and
- Waiving work search requirements for claimants.

Second, we recognized there would be a need for strong, on-going and regularly updated communication with our stakeholders including claimants, employers, legislators, the Governor's team and other workforce partners. We wanted a dynamic web page that we could use to provide constant updates. The importance of this became even more apparent when we saw the dramatic increase in traffic on our website and with social media.

We created a specific COVID-19 tab on our website which is regularly updated. We utilized website banners, customer service line messages, news releases, social media and conducted webinars for claimants and employers in English and Spanish to keep customers informed. We made ourselves available for radio, TV and newsprint interviews. Recognizing that most people filing now have never filed unemployment claims, we created step-by-step videos for how to file UI claims, including how to use a new portal to upload documents. We set up an email box to reach individuals who could not get through on the phone lines and our team attempts to clean out this email box each day. We continue to update FAQs for common questions received from various stakeholders as well as posting updated OSHA guidelines. In short, we used every available method to communicate with lowans, and we continue to do so.

Importantly, we have also worked hard to provide access to our services for non-English speaking claimants. This included posting important documents in nine different languages, which included the CARES Act information and FAQs. Our customer call center has access to a translation service to provide real time assistance to individuals when they call in. We have also worked closely with refugee agencies and faith based groups to provide assistance to non-English speaking claimants.

Beginning in mid-March, we redeployed almost our entire staff to work on unemployment claims and customer service. We conducted fast tracked training for over 200 agency employees to assist in handling customer service calls and emails and provided access to subject matter experts who could provide assistance on more complex issues. We hired and trained over 90 temporary employees to handle customer service calls. We recruited volunteers from other state agencies to be trained to work in our call center. To date, we have trained 53 employees from 6 agencies who worked full and part time in customer service, doing data entry, or helping with

appeals. Our ability to quickly redirect and train our employees to support an “all hands” effort to process and pay UI claims was critical and cannot be overemphasized.

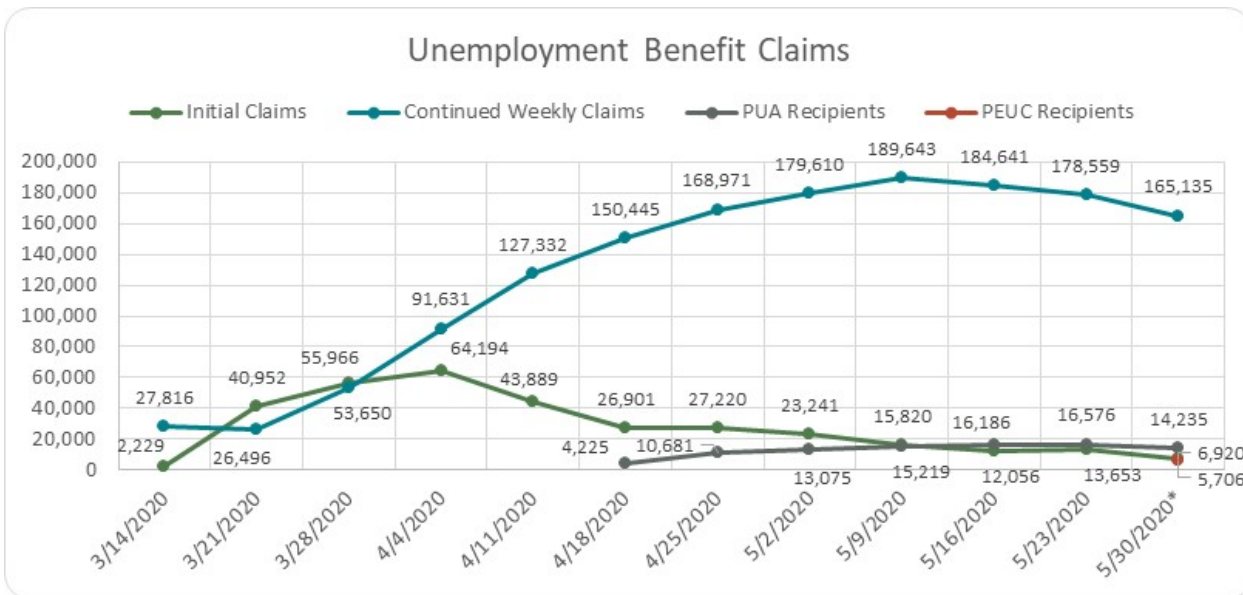
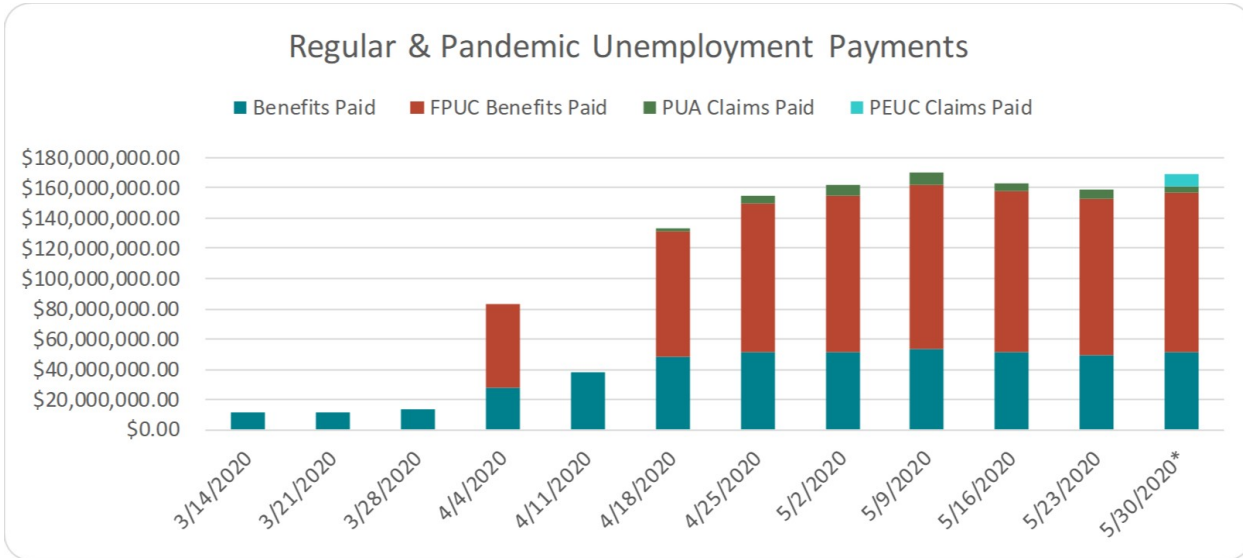
Additional critical decisions and efforts included the following: One of our IT staff created a portal that allowed us to track, in real time, the number of UI claims received. We instituted mandatory overtime, including weekends, for claims processing and answering customer service emails. Pursuant to Governor Reynold’s Executive Order, we expanded the number of team members that are eligible for overtime compensation to include exempt employees who are getting paid straight time over 40 hours a week. The table below shows the amount of overtime worked by over 400 IWD staff members.

	Pay Period 3/6 thru 3/19		Pay Period 3/20 thru 4/2		Pay Period 4/3 thru 4/16		Pay Period 4/17 thru 4/30		Pay Period 5/1 thru 5/14		Pay Period 5/15 thru 5/28	
	Number of		Number of		Number of		Number of		Number of		Number of	
	Hours	Employees	Hours	Employees	Hours	Employees	Hours	Employees	Hours	Employees	Hours	Employees
FLSA Covered Employees	244.51	52	4,438.54	234	6,900.23	259	11,581.91	292	8,160.56	281	4,546.10	289
FLSA Exempt Employees	122.00	19	3,303.75	154	4,526.61	145	5,817.96	144	4,563.50	136	3,340.79	133

Given the nature of the pandemic, an early consideration was the health and safety of our workforce. In early March we identified workers to telework and acquired additional equipment to be able to support a move to teleworking by a majority of our staff. We surveyed staff to determine who could work from home, who had necessary internet at home and who needed additional equipment. The survey also included who could/would work from home, including whether school or daycare closures impacted that answer. Our IT team distributed and tested equipment from home to insure it would work as needed.

It is also important to note that, like many states, IWD uses a legacy system developed in 1972 to process all UI claims. Fortunately, we were able to make technological upgrades that expanded the hours of the mainframe system each day to allow staff the ability to work on claims for an additional 2 hours per day. These upgrades also increased the server capacity to process claims, increased the availability of our website and supported overnight and weekend batch processing to issue payments faster to lowans. Even before this pandemic, Iowa recognized the need to modernize its UI system, and we are in the process of doing so. This modernization is critical for the future and will be absolutely essential if we ever again face a situation similar to COVID-19. Despite operating a legacy system, Iowa has been able to successfully implement three unemployment benefit programs created by the CARES Act in just 8 weeks.

The following charts show the amount of UI benefits paid and claim numbers by program since March 16, 2020.



<u>Week Ending</u>	<u>Initial</u> <u>Claims</u>	<u>Benefits Paid</u>	<u>Continued</u> <u>Weekly Claims</u>	<u>FPUC</u> <u>Recipients</u>	<u>FPUC Benefits</u> <u>Paid</u>	<u>PUA</u> <u>Recipients</u>	<u>PUA Claims Paid</u>	<u>PEUC</u> <u>Recipients</u>	<u>PEUC Claims</u> <u>Paid</u>
3/14/2020	2,229	\$11,455,897.98	27,816						
3/21/2020	40,952	\$10,987,879.41	26,496						
3/28/2020	55,966	\$13,724,985.87	53,650						
4/4/2020	64,194	\$27,565,232.79	91,631	92,333	\$ 55,399,800				
4/11/2020	43,889	\$37,808,025.16	127,332						
4/18/2020	26,901	\$48,091,551.28	150,445	124,445	\$ 83,204,400	4,225	\$ 2,160,076		
4/25/2020	27,220	\$51,408,623.02	168,971	142,983	\$ 98,125,200	10,681	\$ 5,188,849		
5/2/2020	23,241	\$50,931,302.43	179,610	154,098	\$ 103,635,600	13,075	\$ 7,010,336		
5/9/2020	15,820	\$52,903,527.20	189,643	161,906	\$ 109,539,600	15,219	\$ 7,589,385		
5/16/2020	12,056	\$50,962,509.01	184,641	158,250	\$ 106,809,600	16,186	\$ 5,579,759		
5/23/2020	13,653	\$48,828,481.83	178,559	154,536	\$ 104,376,000	16,576	\$ 5,686,440		
5/30/2020*	6,920	\$51,043,465.89	165,135	142,753	\$ 105,700,800	14,235	\$ 4,606,876	5,706	\$ 7,546,816.98

Totals: **333,041** **\$455,711,481.87** **1,543,929** **1,131,304** **\$766,791,000.00** **90,197** **\$37,821,721.19** **5,706** **\$7,546,816.98**

*Preliminary

Now that the state has begun to reopen, we are asking where do we go from here and what does our agency look like? How do we help lowans get back to work, how do we help upskill lowans who have lost their jobs permanently and how do we help employers find the necessary workforce?

As Iowa is reopening and employers are recalling workers, one thing has become abundantly clear. We need to incentivize people to return to work. When our generous state benefits are combined with the Federal Pandemic Unemployment Compensation (FPUC) benefit of \$600 per week, 79% of lowans who have received unemployment since March 15th, have made more on unemployment than their average weekly wage. This is not because we have low wages in Iowa. In 2018, the median household income was almost \$60,000. It is instead, based primarily on where we are seeing the largest impact of the pandemic - our lowest paying industries such as the hospitality and retail industries.

Comparison of High Quarter Average Weekly Wage to Individual Claimant's Weekly Benefit Amount
Weekly Benefit Amount Includes Regular UI Benefit Plus \$600 FPUC Payment
New or Additional Regular UI Benefit Claims Filed March 15 to Date

High Quarter Average Weekly Wage	Weekly Benefit Amount Exceeds Weekly Wage								
	Total Number of Claimants	Number of Claimants	Yes			No			
			Weekly Benefit	Weekly Wage	Difference	Number of Claimants	Weekly Benefit	Weekly Wage	Difference
120-200	12,503	12,503	\$ 695	\$ 166	\$ 529	0	0	0	0
201-400	43,837	43,837	\$ 775	\$ 303	\$ 472	0	0	0	0
401-600	47,919	47,919	\$ 891	\$ 501	\$ 390	0	0	0	0
601-800	45,419	45,419	\$ 1,007	\$ 698	\$ 309	0	0	0	0
801-1000	34,136	34,136	\$ 1,091	\$ 895	\$ 196	0	0	0	0
1001-1200	22,386	11,973	\$ 1,102	\$ 1,050	\$ 53	10,413	\$ 1,091	\$ 1,143	\$ (52)
1201-1500	19,186	0	0	0	0	19,186	\$ 1,099	\$ 1,335	\$ (236)
1501-2000	14,383	0	0	0	0	14,383	\$ 1,101	\$ 1,704	\$ (603)
2001-3000	6,228	0	0	0	0	6,228	\$ 1,104	\$ 2,344	\$ (1,240)
3001-5000	1,777	0	0	0	0	1,777	\$ 1,110	\$ 3,681	\$ (2,571)
OVER 5000	633	0	0	0	0	633	\$ 1,114	\$ 6,801	\$ (5,687)
Total	248,407	195,787	927	583	344	52,620	\$ 1,099	\$ 1,662	\$ (563)
Percent of Claimants	100%	79%				21%			

The average weekly wage was computed by dividing base period high quarter wages by 13.

6/05/2020

Not surprisingly, we have seen an increase in the number of employers notifying us that employees are refusing to return to work after being recalled. So far we have received over 3,000 such notifications. These reports all require a fact-finding interview to determine if the employee has a COVID-19 related reason for not returning which could include being in the high risk group, lack of child care or no access to transportation to get to work. While these individuals would most likely be determined not to be “able and available for work” and thus disqualified from regular unemployment benefits, they would nonetheless qualify for Pandemic Unemployment Assistance (PUA) claims. We are currently working on the process that would allow us to transition individuals to the PUA benefit program immediately after the fact-finding interview.

Iowa state law also provides that employees who believe their workplace to be unsafe, can quit their jobs and still receive unemployment benefits. In the pandemic, this might occur if the employer is not taking the necessary steps to protect the employee from the spread of the virus. From everything I have seen, employers are taking necessary steps to protect their employee and customers, to prevent exposure and the spread of the disease within the workplace, as to not do so would be counter-productive to trying to reopen their business. These cases, however, have to be reviewed on a case by case basis and we have strongly encouraged open communication as the first step in helping employers and employees determine when, how and who can be returned to work safely.

Throughout the pandemic we have worked closely with the Iowa Business Council, the Iowa Association of Business and Industry, state wide chamber alliances, economic developers and the Iowa Economic Development Authority (IEDA) to share information and gather input from our employers. We have distributed two surveys to Iowa's employers, more than 75,000, for IEDA to determine needs, challenges and areas where the state of Iowa can assist. Additionally, Governor Reynolds has been in constant contact with employers of all sizes and industries throughout the pandemic.

One program we have been utilizing and promoting is the Voluntary Shared Work (VSW) program, otherwise known as short-time compensation. The program is intended to provide an alternative for businesses who would otherwise be forced to undergo layoffs due to slowdowns in business. VSW permits employers to reduce employees' weekly hours and partially replaces lost earnings with unemployment insurance benefits. In this way, employers are able to retain their employees and continue to function even while experiencing a decline in business and revenue. By avoiding layoffs, employees stay connected to their jobs and benefits while employers maintains their skilled workforce.

Employers submit a VSW plan to Iowa Workforce Development, outlining the number of weeks they wish to engage in a VSW plan, and the percentage of the reduction in hours for their employees. The employees then receive that percentage of regular UI benefits equal to their work hour reduction. After VSW plan approval, the employer submits the applications for the employees and a weekly list of all the employees in the program, and Iowa will issue payment to those employees. Employees are also eligible for the additional \$600 FPUC payment.

Prior to the pandemic, Iowa had fewer than 10 participating employers, comprising approximately 800 employees. As of June 5, 2020, Iowa has 183 participating employers and 8,465 employees. Typical participants include employers in the healthcare, retail and manufacturing sectors.

When talking with employers, across industries and around the state, the most consistent message we have received loud and clear is that extension of the FPUC benefits would have a significant and substantial adverse impact on our employers' abilities to find an available workforce. FPUC puts employers in a very difficult position of being asked by their employees to either delay recalling them or to recall them on a part time basis only so that claimants can continue to draw the additional benefits through the end of July. Allowing FPUC benefits to expire at the end of July, would provide incentive to individuals to return to work on a full time basis and an extension, we fear, would delay a robust reopening in the shortest time possible. Further, given the length of time and the amount of benefits we provide to Iowans, we know the short term impact of unemployment, especially as the class of individuals most

affected by the pandemic, will be offset through programs like PUA, PEUC and extended benefits until at least the end of the calendar year.

As you know firsthand, Senator Grassley, Iowans are hard workers and we have traditionally had one of the highest labor participation rates in the country. In January and February 2020, our labor participation rate was 71%. Even when our unemployment rate hit 10.2% in April, the highest in recorded history, our labor participation rate was 69.2%. It is nonetheless difficult for our Iowa employers to compete with the amount of benefits currently being paid to individuals to stay home. And while there was a reason to have those benefits when the bill was passed because we needed to crush the curve, now is the time to get people back to work. Those who are still unable to go to work because of a medical condition, being in the high risk category, not having child care or transportation will continue to be eligible for our generous benefits through the PUA, PEUC and extended benefits.

In the alternative, if FPUC benefits are extended, I urge you to craft legislation that is not "one size fits all." I know \$600 a week in benefits in Iowa goes much further than it does in a major metropolitan area or coastal states where the cost of living is substantially higher. I have seen recommendations that would tie the availability of the benefits to a state's unemployment rate so that once a state falls below the rate, the benefits would end. Or consider a significantly reduced flat rate for a short period of time that would cover a transition period for the few months after July. These alternatives would provide a continued safety net in areas where recovery is slower and not be a drag on the available workforce in states that are reopening more quickly.

Something that has not been talked about is the consequence of the additional benefits to claimants if they decline to return to work. If it is determined they did not have a good reason to refuse to return to work and are not entitled to benefits after the date of the recall, they can accrue significant debt in the form of overpayments. Depending on the program they are being paid from, future unemployment benefits will be offset against the debt until it is repaid, meaning they may not qualify for benefits for what could be a substantial period of time. Iowa also participates in the Treasury Offset Program that collects state and federal tax refunds toward overpayments. This could place individuals in a position where they have quit their jobs, lost their benefits and incurred a large debt to the state.

I would also ask you to consider the following recommendations when debating programs moving forward. First, limit the calculations a state must perform to pay out federal benefits. A flat rate, for all those eligible for a program, is absolutely essential to being able to implement the program quickly and efficiently. Regardless of the age

of the UI system a state uses, these are all new programs that have to be developed, tested and implemented beginning with the application, review, approval and payment process. Thus, trying to implement a percentage of wages or maximum wage as a percentage of benefits received would require an individual review of each claim, thereby creating a labor intensive and lengthy process for each claim.

A benefit like a payroll tax holiday would be easier to implement, would benefit everyone in the workforce, including those already or who remained in the workforce, and would not run through the workforce systems.

If a new unemployment benefit program is created, please consider a prospective date of implementation. This would give the U.S. Department of Labor time to provide the necessary guidance to state workforce agencies and time to develop the program before it is deployed, as well as manage the expectations of people receiving the payments. Like most states, we started receiving calls on March 30th from claimants expecting payment of all three of the CARES Act benefit programs. We have to implement the programs one at a time, which began with FPUC, PUA and finally PEUC.

While it feels like we have been living in the pandemic for years instead of weeks, it has only been 9 weeks since the CARES Act was passed. While we were able to implement and pay three brand new benefit programs in 8 weeks, it was still a challenging and difficult process to manage the expectations of individuals eligible under various programs. Implementation is also driven by how long it takes USDOL to provide necessary guidance and they need an appropriate amount of time to be able to provide it. While I fully understand and empathize with individuals in need of benefits, it was nonetheless difficult to imagine for us to do things any faster than we did because we could not work more than the 60-70 hours a week my staff has been working since the middle of March. Additionally, my staff bore the brunt of lowans anxieties, anger and frustrations when they were not paid in the time they needed or desired.

Fraud issues have also become a larger issue for state workforce agencies. We are seeing identity theft primarily. One of the issues that concerns us is the self-attestation that PUA permitted, which increases the likelihood for identity theft and fraud. For instance, I received an email last week from an officer in one of our larger employers who had been notified of an unemployment claim filed in his name. Fortunately, our identity verification processes caught it and no benefits had been paid. For the self-employed there is no currently no way to verify that they have not returned to work while receiving benefits beyond their self-attestation. We believe requiring eligible individuals to provide more proof in support of their claims would reduce the number

of fraudulent claims. USDOL is also providing new and better guidance to address fraud in PUA claims as well will be helpful when implemented.

With regard to training workers whose jobs have been lost as a result of the pandemic, Iowa is well positioned. Over the past three years Iowa has developed and implemented Future Ready Iowa, a workforce training program with many different initiatives to increase the educational attainment of Iowans to 70% by 2025. Last year the legislature committed over \$20M in funds to support several different programs that would increase access to training programs at our local community colleges through programs like the Last Dollar Scholarship program that paid the difference between the student's non-repayable financial aid and the cost of tuition and fees in high demand occupations. The program has been an overwhelming success and our partners at the community colleges have worked hard to recruit Iowans into programs that will provide high paying jobs in career fields with projected growth. We believe we can use the infrastructure developed through Future Ready Iowa will assist us in moving people through training programs faster and aid our recovery efforts considerably.

Additionally, we recognize that the world we are re-entering is different from the one we left a few short months ago and we are adapting the way we deliver workforce services to ensure we can fulfill our mission of developing a future ready workforce in Iowa. IWD is adding additional virtual training opportunities and utilizing virtual job fair technology to maintain the health and safety of staff, job seekers and employers while providing the opportunities needed to get people back to work and for employers to find the workforce they need.

In closing, I recognize that Iowa is a smaller state that has not had as many challenges as other states in assisting those who have lost their jobs due to the pandemic. However, I also think Iowa is unique in that we are a state that knows the value and necessity of collaboration, that we are stronger together. From the beginning we have benefitted from the strong, steady and mature leadership Governor Reynolds has demonstrated on a daily basis. She has set an expectation that all state agencies would work together to solve problems and reduce barriers and that we would be transparent and available to all of our stakeholders as quickly as we could. We have also worked with all of Iowa's Congressional delegations on an almost daily basis to address constituent concerns and to help answer questions for our elected representatives as they try to navigate the pandemic in the best way possible for all Iowans. I would like to publicly thank my team at Iowa Workforce Development for their hard work,

professionalism and dedication. Every day, they demonstrate what it is to have a servant's heart.

I hope the committee will also recognize that all state workforce agencies have worked hard to serve their citizens and implement the federal legislation passed to provide necessary pandemic assistance. We have been called on to create and implement huge federal programs through the unemployment system that are beyond what we have ever done before or that the systems were designed to do. I know from speaking with my peers across the country that the staff of our state workforce agencies have worked long days, long weeks and without breaks since the pandemic struck. They have sacrificed time with their families in order to be available to do the mountain of work that we have been required to do. I believe, like Iowa, they will continue to work hard when we move into the recovery phase, getting people back to work and helping employers find a skilled and available workforce.

I am humbled and proud to lead our Iowa team. Thank you again Senator Grassley and members of the Senate Finance Committee for the opportunity to share this information with you.

Useful Links

Iowa Workforce Development webpage: <https://www.iowaworkforcedevelopment.gov/>

COVID-19 webpage: <https://www.iowaworkforcedevelopment.gov/COVID-19>

Labor Market Information webpage: <https://www.iowaworkforcedevelopment.gov/labor-market-information-division>

Future Ready Iowa: <https://www.futurereadyiowa.gov/>