

# *Six months of change. Six months of results.*

The first six months of 2013 saw tremendous change at the Employment Security Department (ESD): a new commissioner, deputy commissioner and nearly all-new Executive Leadership Team; a major functional reorganization and flattening of the management structure; a broad-based strategic planning effort; the largest layoff in ESD history; and significant progress toward launching a Lean quality-improvement team.

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## **Disruptive change**

Commissioner Dale Peinecke is a strong proponent of Lean management, and he supports Governor Inslee's call for "disruptive change" that gets results for Washington.

- In his first month, he eliminated a layer of management and reconfigured the Executive Leadership Team to ensure the right people are in the room to make informed, strategic, collaborative decisions.
- In his second month, he made additional organizational changes to further flatten the agency's management structure and reinforce cross-functional teamwork.
- More reforms will come as the strategic plan is implemented.

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## **Strategic plan**

From day one, Commissioner Peinecke began educating executive leaders in Six Sigma, Lean and other management tools he used successfully in his private-sector career. His message: Three Sigma isn't good enough, especially for employers and job seekers who rely on us. Initial results include:

- By mid-spring, executive leaders drafted a new strategic plan, including a new vision, mission and goals.
- By mid-July, the agency held nearly 140 forums across the state, attended by about 2,000 ESD employees and WorkSource partner staff, so everyone had an opportunity to weigh in – and buy in – on the draft strategy.
- By the end of August, executive leaders will review comments, revise the draft plan and publish the final strategic plan.

Commissioner Peinecke told his executive team, "None of the companies I led finished a comprehensive strategic plan this fast."

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## **Lean leadership**

Empowering front-line employees to identify problems and make improvements is an essential principle of Lean, but it requires long-term training, leadership and support to get off the ground. Progress in this area includes:

- A new Office of Lean Transformation & Quality Improvement (OLT).
- By July 1, the OLT director was hired, and the first round of temporary project leads will be in place by the end of July.
- Each temporary lead will oversee a strategic project to completion (lasting a few months to a year), then will be replaced by another employee to lead the next project, and so on. This will provide growth opportunities for employees while building a cadre of Lean experts throughout the agency.
- Meanwhile, Lean projects launched in 2012 have stabilized and standardized adjudication processes for unemployment benefits (adjudication involves reviewing and making decisions about questioned claims). The projects are now in the process-improvement phase and should begin delivering results in 2014.

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## Budget & layoffs

Despite deep budget cuts the previous two years, ESD's budget situation required action going into 2013. By February, it was apparent the early revenue estimates for the 2013-15 biennium would come up short, even with a major layoff planned for June.

- The Commissioner chose to increase the size of the layoff and to implement it sooner, hoping to “right size” the agency and restore some stability.
- Over May and June, the department implemented the largest layoff in its history – eliminating 420 positions. By July, ESD had 1,674 employees, about 1,000 fewer than at the peak of the recession, and 300 fewer than its pre-recession workforce.
- The layoff, combined with other cost-saving measures, will reduce operating costs by about \$31 million per year.

Other cost-savings under way include:

- Replacing 10 local unemployment-tax offices with a centralized staffing model that will reduce costs and serve employers more efficiently.
- Consolidating ESD staff into fewer facilities to reduce leasing costs.
- Increasing the use of email and robocalls to provide timely information about unemployment benefits and taxes, as an inexpensive alternative to mailings.

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## Partnership

Employment Security's relationships with its workforce development partners are crucial to success. Progress has been made in several areas.

- **Local workforce development councils (WDCs)** ~ Implemented Lean-based performance monitoring processes; trained 150 WorkSource staff on techniques to improve customer service; and began building coordinated strategies to achieve better employment outcomes.
- **Department of Commerce** ~ Partnered to design the WorkStart program, which will deliver customized workforce training to companies that are being recruited to locate or expand in Washington
- **DSHS** ~ Partnered with DSHS to place 17 Washington Service Corps members with local WDCs to help disadvantaged youths do well in school, graduate from high school and move into careers.
- **Superintendent of Public Instruction** ~ Worked with OSPI, local schools and WDCs to design an initiative to improve career-exploration and internship opportunities for students, business externships for teachers, and stronger business relationships with local schools. Initial implementation began in mid-July.

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## Serving customers

Even in the midst of great change and concern about the layoff, ESD employees haven't lost their focus on customers. Results in the first half of 2013 include:

- Paid \$1 billion in unemployment benefits to more than 235,000 individuals.
- Provided employment services to more than 159,000 job seekers, including 63,000 job referrals. (Historically, 58 percent of workers find jobs within a few months after receiving WorkSource services.)
- More than 3,700 employers listed almost 25,000 job openings for which WorkSource staff recruited and screened job candidates.
- In addition, about 3,200 employers used the self-service features on go2worksource.com to post, recruit and screen candidates for about 50,000 jobs.

As a WorkSource customer recently wrote, “I experienced terrific customer service and great information delivered in a methodical and simple way...all provided by such a terrific and professional staff. Your encouragement, professional demeanor and great personal service helped make my unemployment process as best as could be expected.”