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.

**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.

**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.”

**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:

- 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.
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.

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.

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.”