

Unemployment Compensation in Milwaukee:

Evaluating and Improving Cost Management

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Foreword

This report was produced by students in the Master of Public Affairs (MPA) program in the Robert M. La Follette School of Public Affairs at the University of Wisconsin–Madison for the City of Milwaukee, Department of Administration’s Budget and Management Division. The opinions and judgments presented in the report do not represent the views, official or unofficial, of the La Follette School or of the clients for whom the report was prepared.

The authors of this report are enrolled in the Public Affairs Workshop, Domestic Issues, the capstone course in their graduate program. The La Follette School offers a two-year graduate program leading to a Master of Public Affairs or a Master of International Public Affairs degree. The Workshop provides practical experience applying the tools of analysis acquired over three semesters of prior coursework to actual issues clients face in the public, non-governmental, and private sectors. Students work in teams to produce carefully crafted policy reports that meet high professional standards within the timeframe of a single academic semester. The reports are research-based, analytical, and when appropriate, evaluative.

I am grateful to Wilbur R. Voigt, whose generous gift to the La Follette School supports the workshop projects. With his donation, we are able to finance the production of the final reports, plus other expenses associated with the projects.

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This report was generated primarily for the educational benefit of its student authors, and the purpose of the project was to improve their analytical skills by applying them to an issue with a substantial policy or management component. This culminating experience is the ideal equivalent of the thesis for the La Follette School degrees in public affairs.

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Assistant Professor of Public Affairs and Political Science
May 2008

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Executive Summary

Unemployment Compensation (UC) costs for the City of Milwaukee have fluctuated significantly since 2003. As the city's UC costs remain high and variable, it has become increasingly important for the city to gain an improved understanding of the drivers of these costs as well as whether and how these drivers could be better controlled. This report informs the city on these questions by providing a quantitative analysis of the city's current UC charges using data collected by the TALX Corporation; offering a qualitative analysis of separation and claims administration practices in city departments; and analyzing UC practices in six comparable cities and identifying initiatives they have used to control UC expenditures.

Our findings suggest that the city's costs are high relative to comparable cities, after controlling for workforce size and variation in state benefit policies. Our findings also suggest that the city is already reasonably successful in controlling two key drivers of UC costs, seasonal employee layoffs and overpayments to claimants. No evident opportunities exist for the city to achieve major UC cost savings. Our results do indicate that a more active working relationship between the Department of Employee Relations (DER) and operating departments could improve the effectiveness of claims administration. We also find that the city could gain value by improving its data collection practices and following up on the data analysis efforts initiated here.

Based on these findings, we recommend that the city:

- Develop written guidelines for more consistent entry of city personnel data;
- Foster an improved working relationship through additional and more regular UC training for department managers and claims administrators;
- Establish UC benchmarks for tracking UC outcomes;
- Use scorecards to notify departments of their UC costs and administrative performance;
- Phase in departmental responsibility for paying UC costs associated with their own employees;
- Explore the possibility of employing School Crossing Guards through the Milwaukee Public Schools rather than the Milwaukee Police Department;
- Consider revisiting the issue of UC costs after electronic UC data have been collected for several years.

Introduction

The City of Milwaukee is statutorily required to compensate the State of Wisconsin for the costs of Unemployment Compensation (UC) payments made to workers separated from its employment. The costs to Milwaukee of making these payments have fluctuated significantly over the last five years. Annual reimbursement costs have averaged \$935,000 since 2003, compared to \$710,000 in the preceding five-year period (City of Milwaukee Budget and Management Division, n.d.). Volatility in annual cost levels has forced the Milwaukee Department of Employee Relations (DER), which administers the city's UC budget, to obtain supplementary funding from the Milwaukee Common Council in three of the past six years (City of Milwaukee Department of Employee Relations, 2006).

In the meantime, Milwaukee's decision to contract out UC claims administration to the TALX Corporation has changed UC management. The contract's implementation in October 2006 placed increased responsibility on operating departments for responding to claims filed by their separated employees. TALX's UC Express reporting system has also established electronic tracking of the city's separations and claims for the first time, providing newly efficient means for identifying the sources of UC costs and assessing UC-related outcomes.

As its UC costs persist at high and variable levels, the city's need to answer whether and how these costs could be better controlled grows in importance. This report fulfills this need. Section I introduces the UC program and describes UC management in Milwaukee. Section II provides a quantitative analysis of the nature, sources, and causes of the city's 2007 UC charges using data available through UC Express, and supplements that analysis with a qualitative assessment of separation and claims administration practices in the city. Section III places the city's UC costs and activities in wider context by considering six comparable cities. Section IV uses the findings of Sections II and III to develop and assess options for improved UC management and cost control in Milwaukee. Section V uses the conclusions of that assessment to make recommendations for the city to achieve more effective and cost-efficient UC practices.

Section I: Background on Unemployment Compensation

Introduced as part of the Social Security Act of 1935, UC is a social insurance entitlement program designed to provide income continuity to unemployed workers (U.S. House of Representatives Committee on Ways and Means, 2000). Workers whose work history and cause of separation from employment meet eligibility requirements can claim financial benefits through the program for a limited number of weeks (U.S. Department of Labor Office of Workforce Security, Division of Legislation, 2007).

UC is funded almost entirely through employer contributions. For-profit employers are classified as “contributing employers” and pay for the benefits collected by their former employees through a state payroll tax set at a predetermined rate (Wisconsin Department of Workforce Development [DWD], 2006). Nonprofit and government employers are typically classified as “reimbursable employers,” who must reimburse the state for the exact dollar amount of UC benefits collected by their former employees (DWD, 2006).

UC is a federally established program managed by individual states. All state programs must conform to general federal standards. Many aspects of program design and administration, however, are left to the discretion of states, and states often vary considerably in the choices they make (U.S. Department of Labor Office of Workforce Security, Division of Legislation, 2007). Table 1 describes the federal and state roles in determining UC program law.

**Table 1: Federal and State Roles
in UC Policymaking and Administration**

The Federal Role	The State Role
<p>Major federal UC standards include</p> <ul style="list-style-type: none"> • Non-profit and public employers must have the option of being classified as reimbursable employers • UC claimants must be “available and able for work” while claiming UC benefits • Employers must have the right to appeal UC benefit payments made to a former employee if they believe the former employee to be ineligible. 	<p>Individual state governments are responsible for</p> <ul style="list-style-type: none"> • The specific criteria used in establishing UC eligibility • The dollar amount and duration of UC benefits paid to eligible claimants • The formulas used in calculating UC benefit amounts • The administrative particulars of UC, including which state department administers the UC program.

Sources: U.S. Department of Labor Office of Workforce Security; Division of Legislation (2007); U.S. Department of Labor (n.d.)

Unemployment Compensation in Wisconsin

Chapter 108 of the Wisconsin statutes creates the framework for Wisconsin's state UC program and grants the Wisconsin Department of Workforce Development (DWD) administrative authority over the program (Unemployment Insurance and Reserves, 2005-2006).

An unemployed worker (hereafter "the claimant") must file a claim with DWD to receive benefits. The claimant's former employer has the right to protest the claim if they believe the claimant ineligible. Claimants are statutorily assumed to be eligible, provided they do not violate express restrictions (Unemployment Insurance and Reserves, 2005-2006). Employers face the burden of proof in protests and must provide documentation to DWD substantiating ineligibility.

DWD determines the claimant's eligibility for UC benefits using statutorily defined criteria, as well as all information provided by claimants and employers. UC eligibility is primarily based on a claimant's earnings in his or her base period—defined as "the first four of the last five completed calendar quarters" prior to the filing of the UC claim. Eligible claimants also generally must have been separated from employment under no fault of their own. That is, workers are ineligible for benefits, with specified exceptions, if they voluntarily leave their position or are discharged for misconduct (DWD, 2006).

DWD's determinations can be appealed by the claimant or the employer (U.S. Department of Labor Office of Workforce Security, Division of Legislation, 2007). Appeals are heard by an administrative law judge, who issues an Appeal Tribunal Decision. Claimants and employers can appeal that decision to the Labor and Industrial Review Commission (LIRC), which generally issues its decision based on testimony presented at the appeal hearing. Claimants and employers can appeal LIRC decisions to Wisconsin circuit court (DWD, 2006). Appendix A provides a full description of the UC process in Wisconsin.

Claimants determined eligible can collect weekly benefits from the state during the benefit year, the 52-week period after their claim is filed. DWD calculates a maximum benefit amount that a claimant can receive during the benefit year, also referred to as the liability faced by the employer. DWD also calculates a weekly benefit rate, the maximum a claimant can receive per week. If a claimant exhausts his or her maximum benefit amount before the end of the benefit year, he or she is ineligible for additional UC benefits until the benefit year ends (DWD, 2006).

Unemployment Compensation in the City of Milwaukee

Like most governments in Wisconsin, the City of Milwaukee is a reimbursable employer and repays the state dollar for dollar for benefits claimed by separated employees (Wisconsin Legislative Fiscal Bureau, 2007). DER operates a central UC Special Purpose Account from which all payments to the state are made (City of Milwaukee Department of Employee Relations, 2006).

Since October 2006, TALX has coordinated UC administration among DER, individual city departments, and DWD. DER notifies TALX of separations within the city in a biweekly payroll report. If a separated employee files a claim for UC benefits, DWD contacts TALX to verify the reason for the employee's separation from city employment. If TALX identifies the claimant as potentially ineligible for UC benefits based on the reason for separation provided in the city payroll report, TALX contacts the city department for which the claimant worked to inquire whether the department wishes to protest the claim. Departments provide supporting documentation to TALX for cases they decide to protest. When determinations are unfavorable to the city, TALX receives notification and contacts the protesting department to inquire whether to appeal the determination. Individual departments are again responsible for organizing the documentation and witnesses necessary to appeal a claim (Sutherland, 2008).

TALX records the maximum benefit amount for which each claimant is eligible as liability and records all subsequent payments made by the state to each claimant as benefit charges. All payments made from the UC Special Purpose Account to satisfy benefit charges are recorded by the city as UC costs (Joos, 2008c). Appendix A also provides a full description of UC administration in Milwaukee, including TALX's role in the UC process.

UC Cost Concerns for the City of Milwaukee

The discussion of the claims process in Wisconsin and in Milwaukee indicates that Milwaukee's UC costs originate from two sources.

The frequency and nature of employee separations. More employee separations can lead to more UC claims, which results in increased UC costs for the city. In particular, the regular separations incurred by the city's seasonal workforce are known to have been responsible for more than half of the city's overall UC payments in 2005 and 2006 (Joos, 2008b). The city has studied its separation practices for these employees and taken steps to minimize their periods of unemployment. Even so, the city's recent cost fluctuations suggest that further attention to the cost impacts of its separation practices and potential opportunities for minimizing those impacts is merited.

Overpayments to claimants. Separated employees who are ineligible for UC may still file a claim; eligible employees may report higher-than-actual earnings. If an employer fails to successfully protest such inappropriate claims, they incur UC liability that could have avoided. Evidence from UC Express suggests that Milwaukee's claims administration processes may not be effective at combating inappropriate claims. TALX's data suggest that between October 2006 and September 2007 the city incurred just over \$100,000 in avoidable UC liability (TALX Corporation, 2007c).

Two other aspects of the city's UC management may also act as secondary contributors to its costs. First, DER's maintenance of a central UC budget shields departments from seeing and bearing the cost of claims from their employees, raising the concern that departments lack incentive to attend to the cost consequences of their separation or claims administration practices.¹ Second, the city's lack of benchmarks (i.e., numerical measurements for efficiently and simply tracking and evaluating program outcomes) in relation to UC limits its ability to assess its separation and administrative practices. The use of benchmarks could encourage more consistent and detailed attention to program effectiveness and could help departments and central administrators identify opportunities for cost control.

Separations, claims administration, budget structure, and benchmarks are the four factors that must be examined to identify what drives Milwaukee's UC costs and assess whether and how such costs might be better controlled. Therefore, we examine Milwaukee's current UC costs, outcomes, and practices in terms of these factors, and use them as the basis for our analysis of comparable cities and our resulting discussion of options for change in Milwaukee.

¹ For a discussion of this issue in relation to federal agencies, see U.S. Government Accounting Office (1986).

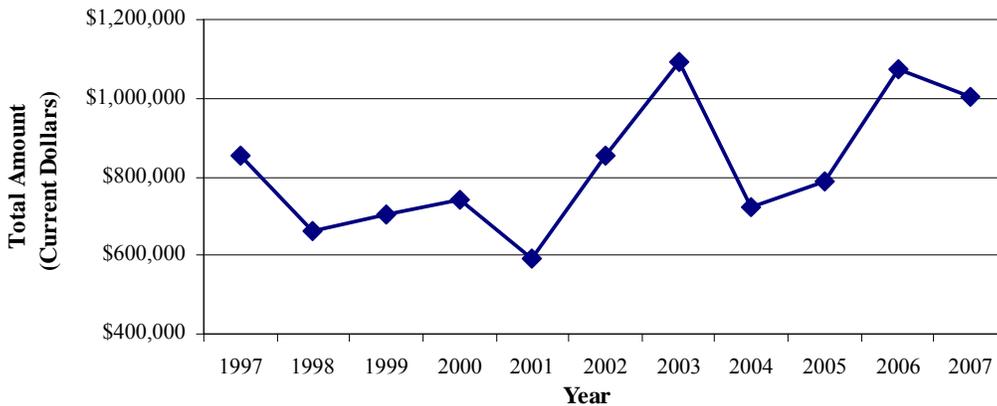
Section II: The UC Program in Milwaukee

This section analyzes the operations and outcomes of Milwaukee's current UC program. We begin with a quantitative analysis of the program based on data available through UC Express. We follow with a qualitative analysis of separation and claims administration practices in the city.

Quantitative Analysis

UC payments in Milwaukee have increased in size and volatility in the past five years. Figure 1, which measures costs in current dollars, shows that the fairly consistent level of payments experienced in the late 1990s has been supplanted in succeeding years with more variable and generally higher payment levels.

Figure 1: Annual UC Payments in Milwaukee, 1997-2007



Source: City of Milwaukee Budget and Management Division (n.d.)

For most of this period, the city did not have the capacity to efficiently identify the sources of these costs. The city's contract with TALX now provides for the electronic tracking of claims and charges. The remainder of this section uses data tracked in UC Express to provide a quantitative analysis of UC charges to the city.² We limit our analysis to the 2007 calendar year.³

² The city has historically measured UC costs by date of payment, but UC Express measures costs based on the earlier date, when charges are assigned. The difference between costs paid and charges incurred is generally minimal; benefit charges assigned in 2006 and paid in 2007 will be offset by benefit charges made in 2007 and paid in 2008. The result here is a difference of only about \$3,000. However, it must be noted that the statistics in this section are based on charges in 2007 and are not precisely comparable to city figures based on payments in 2007.

³ We do so for two reasons. First, the transition to electronic claims tracking resulted in instances of incomplete data entry in the first months of the TALX contract, October to December 2006. It is impossible to identify and adjust for these entries, so we excluded data from these months. Second, limiting data to 2007 allows us to evaluate seasonal trends in the city's UC charges.

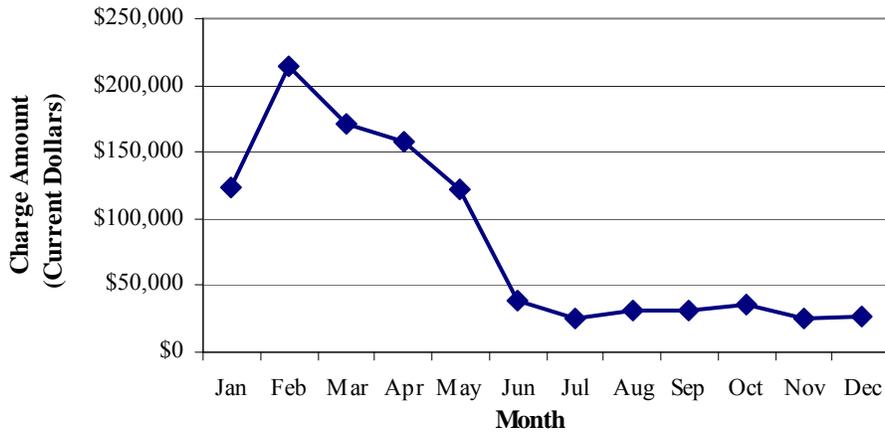
UC Express provides users with four major types of reports: benefit charges, liability suspended or avoided, claims (processed and protested), and separations. Our analysis focuses on the benefit charges report, which identifies individual claim charges and the separated employee responsible for each charge. We started by identifying all claims that resulted in charges for the city in 2007. Appendix B provides a detailed description of our methodology.

UC Charges for the City of Milwaukee by Month

Milwaukee was charged \$1,002,679 for UC benefits in the 2007 calendar year. We used the benefit charges report to break down that total by month. We assigned UC charges to the month in which the city was charged by the state for a benefit payment (the “benefit charge date”).

As Figure 2 shows, total UC charges for the City of Milwaukee showed a clear seasonal pattern in 2007.⁴ Although monthly charges for January through May averaged \$157,530 and always exceeded \$100,000, charges for June through December averaged \$30,717 and never exceeded \$50,000. Total charges were highest in February (\$214,057) and lowest in November (\$25,159).

Figure 2: Total 2007 UC Charges by Month



Source: TALX Corporation (2008a)

UC Charges by Department

We identified the division or unit within a department from which a claim charge arose using the “location description” variable in the benefit charges report. Eleven percent of all charges did not have a location description value. We labeled those charges under “Unknown Department.”

⁴ UC benefit payments are made by the city after the state assigns benefit charges, which causes the payment date the city uses to measure costs to fall after the benefit charge date. The distribution curve of UC charges based on the payment date should be similar in shape to that based on the charge date, but may be offset several weeks to reflect this difference.

The Department of Public Works (DPW) was responsible for nearly two-thirds of the city's total charges in 2007. The department's Infrastructure Services Division was responsible for \$496,440, more than three-quarters of the department's total charges and nearly half of all city charges. The street maintenance subunit of the Streets and Bridges Unit accounted for roughly half of the Infrastructure Services Division's charges (\$292,548) while the street lighting subunit accounted for most of the remainder (\$132,478).

No other city department accounted for more than 10 percent of total charges. Beyond the second- and third-largest contributors, the Police Department and the Election Commission, no department incurred more than \$20,000. Table 2 lays out all 2007 charges by department. Appendix C provides a detailed breakdown of costs within all departments by month.

Table 2: 2007 UC Charges by Department

Department	Charge Amount
Department of Public Works	\$646,610
<i>Infrastructure</i>	<i>\$496,440</i>
<i>Operations</i>	<i>\$135,091</i>
<i>Parking</i>	<i>\$10,881</i>
<i>Water Works</i>	<i>\$3,700</i>
Police Department	\$100,814
Election Commission	\$62,223
Health Department	\$19,593
Department of Neighborhood Services	\$14,891
Common Council/City Clerk	\$14,749
Sewer Maintenance Fund	\$8,223
Library	\$6,840
Employees' Retirement System	\$5,955
Department of City Development	\$5,399
City Treasurer	\$2,797
Fire Department	\$702
Unknown Department	\$114,381
Total Charges	\$1,002,679

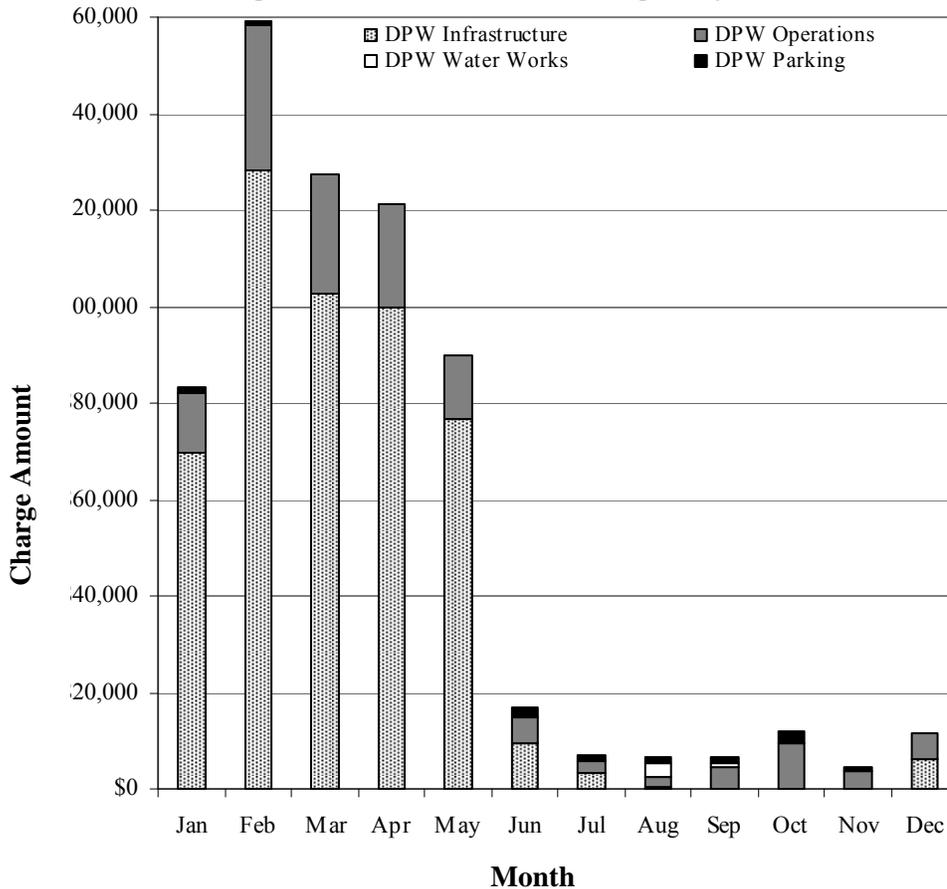
Source: TALX Corporation (2008a)

Figure 3 breaks down charges within DPW by month. The Infrastructure Services Division, which includes the street maintenance and street lighting subunits, accounted for most of DPW's charges between January and June. The Operations Division made up the majority of charges for August through December, but it accounted for only 20 percent of the department's total 2007 charges.

UC Charges by Reason for Separation

Employees who quit voluntarily or who are discharged for misconduct are ineligible for UC benefits, with specified exceptions. Thus, charges arising from these types of separation should be much smaller than those arising from layoffs. To calculate UC charges by reason for separation, we linked charge data in the benefit charges report to the reason for separation reported for the claimants in the separations report. Fifty-eight claimants identified in the benefit charges report were not listed in the separations report, however, likely because their applicable separation predated the city’s use of UC Express. We were able to assign a reason for separation to 26 of those employees using information provided by DER (Monteagudo, 2008). We classified the remaining 32 as “no reason for separation available.” Further, 76 claimants in the benefit charges report were identified multiple times in the separations report with conflicting reasons for separation.⁵ We classified those employees as “multiple reasons for separation given.”

Figure 3: DPW 2007 Charges by Month



Source: TALX Corporation (2008a)

⁵ We tried to assign a specific reason for separation to these 76 employees by using additional data provided by DER. However, because of inconsistencies in how separations were described in the DER data and the UC Express data, we were unable to do so.

Table 3 shows that the majority of charges in 2007 resulted from layoffs. As expected, smaller shares of charges were attributable to discharges, voluntary quits, and other separation issues. “Multiple reasons for separation given” and “no reason for separation available” account for nearly one-third of total charges in 2007, however, so these findings should be interpreted with care.

**Table 3: UC Charges
by Reason for Separation**

General Category	Charge Amount
Lack of Work / Layoffs	\$512,649
Multiple Reasons for Separation Given	\$255,659
Voluntary Quits	\$66,463
Other Separation Issues	\$65,303
Discharges	\$57,775
No Reason for Separation Available	\$44,830
Total Charges	\$1,002,679

Source: TALX Corporation (2008b)

As noted earlier, seasonal layoffs have been estimated to account for the majority of UC costs incurred by the city in 2005 and 2006. To try to calculate a similar figure for charges in 2007, we identified all charges with a “lack of work- seasonal” designation under reason for separation. Total charges identified as such were \$317,516, representing 32 percent of the city’s total 2007 charges. DPW was responsible for 87 percent of this total.

This figure is notably lower than estimates for previous years. This appears to be a result of some seasonal layoffs being classified in UC Express as “lack of work—temporary,” “assignment completed,” “lack of work,” or “other reason for separation” instead of “lack of work—seasonal.”⁶ Thus, \$317,516 should be interpreted as the lower bound for 2007 charges associated with seasonal layoffs.

⁶ Two pieces of evidence support this conclusion. First, the Infrastructure Services Division indicated they did not hire temporary employees, but incurred UC charges identified as “lack of work—temporary” layoffs, indicating a misclassification. Second, some employees with multiple listings in the separations report were shown as having been separated for both “lack of work—seasonal” and “lack of work—temporary” for the same or similar employment periods, suggesting that not all seasonal layoffs were classified solely as “lack of work—seasonal.”

Total Liability Suspended or Avoided

The city can avoid UC liability by winning its protests and appeals of claims or by winning appeals made by claimants.⁷ A high proportion of successful protests and appeals indicates effective claims administration. UC Express tracks the number and outcomes of all protests and appeals, providing an opportunity to evaluate the city's claims administration outcomes. Protest and appeal data are available in three reports: liability suspended or avoided, protested claims, and appealed claims. We combined data from these reports to obtain the findings below.

The city protested 107 (37 percent) of the 366 claimants attempting to claim UC benefits from the city in 2007.⁸ The city was successful in 89 percent of its protests determined by DWD in 2007.⁹ The city was involved in 23 scheduled appeal hearings in 2007 and was successful in 16 (67 percent) of the 24 appeal decisions received in 2007 (TALX Corporation, 2008c).

UC Express also includes data on the financial consequences of protests and appeals. In 2007, the city avoided or suspended a total of \$394,544 in UC liability through protests, appeals, and LIRC appeals. Of that figure, \$327,518 (83 percent) was removed through protests, \$49,601 (13 percent) through first-level appeals, and \$17,425 (4 percent) through appeals to LIRC (TALX Corporation, 2008c).

Table 4 shows that DPW was responsible for the largest amount of liability avoided or suspended (\$140,595), followed by the Police Department (\$109,956). More than 15 percent (\$60,995) of the total was not associated with a department (identified as "Unknown Department"). Some of this amount may be due to the city having successfully protested or appealed claimants who did not work for the city but filed claims listing the city as an employer (Grubnich, 2008a).

UC Express also tracks the city's avoidable liability, defined as liability arising from unsuccessfully protested claims where TALX identifies an "educational or compliance opportunity" connected with the case. Educational or compliance opportunities can include failure of employers to attend appeal hearings or to provide adequate documentation. A low level of avoidable liability suggests a

⁷ To reiterate, UC liability differs in concept and measurement from UC charges. UC liability is equal to the maximum benefit amount for a claimant and thus represents the total costs the city could *potentially* face as a result of claims. UC charges represent the UC costs the city *does* face as a result of UC claims. The city's liability will likely always be higher than its charges, meaning the city almost certainly would not have incurred all the liability it avoided in 2007.

⁸ One claimant can file multiple claims in a year, so it is possible for an individual to have both protested and not protested claims. We included the 34 claimants with both protested and not protested claims in the 107 figure. Appendix B provides more detail on this methodology.

⁹ Both of these statistics are for the 2007 calendar year, so they do not perfectly coincide. Some of the 107 protests made in 2007 may not have been decided until 2008, and some of the successful determinations in 2007 could have arisen from protests made in 2006.

well-functioning claims administration process as well as an employer well-informed of its responsibilities.

We summed the liability associated with each category of educational or compliance opportunities to calculate avoidable liability in 2007. Total avoidable liability was \$32,531, which came from nine claimants.¹⁰ The category “No further appeal requested by employer” was responsible for the majority of avoidable liability. “Hearing Lost—Employer did not attend” was the only other category that resulted in liability for the city in 2007. Table 5 lists total avoidable liability by category.

Table 4: Total Liability Avoided by Department

Department	Liability Amount	Percentage City Total
Department of Public Works	\$140,595	35%
<i>Operations</i>	\$88,854	
<i>Infrastructure</i>	\$48,153	
<i>Water Works</i>	\$3,588	
Police Department	\$109,956	27%
Health Department	\$27,690	7%
Library	\$24,674	6%
Sewer Maintenance Fund	\$14,547	4%
Department of City Development	\$9,230	2%
Assessor's Office	\$9,230	2%
Fire Department	\$3,451	1%
Unknown Department	\$60,995	15%
Total Liability	\$400,368	100%

Source: TALX Corporation (2008b)

¹⁰ One claimant was listed under the “no further appeal requested by employer” category and the “hearing lost—employer did not attend” category. We included this claimant in only the “no further appeal requested by employer” category.

Table 5: Avoidable Liability by Category - 2007

Category	Claimants	Avoidable Liability
No further appeal requested by employer	7	\$29,080
Hearing Lost - Employer did not attend	1	\$3,450
Claims received too late to protest	0	\$0
Hearing Lost - Insufficient documentation	0	\$0
Hearing Lost - No firsthand testimony	0	\$0
Decision received too late to appeal	1	N/A
Total Avoidable Liability	9	\$32,530

Source: TALX Corporation (2008d)

Notably, this 2007 calendar year figure is considerably lower than the \$100,471 figure reported by TALX for October 2006 through September 2007 (TALX Corporation, 2007c). The latter figure includes liability from cases connected to the city’s transition to UC Express, as well as more than more than \$25,000 in liability arising from claims allowed under statute (Grubnich, 2008b). The \$100,471 figure thus appears to be an inappropriate baseline for judging the city’s levels of avoidable liability. The \$32,530 figure for the 2007 calendar year excludes both types of cases, and thus appears to be a more appropriate baseline.

Data Limitations

Several limitations threaten the robustness of our quantitative analysis. First, certain data were not clear or consistent within UC Express reports, making it difficult for us to link data and connect charges to separations, claims, and other elements of the UC process. For example, seasonal layoffs do not appear to be consistently reported as “lack of work—seasonal.” Moreover, the separations report lists many employees as having multiple, conflicting reasons for separation. Second, values for certain variables were missing for numerous observations in the reports, most notably for more than 10 percent of the location descriptions we used to connect charges to departments. If the pattern of missing values is nonrandom, our findings may not reflect actual outcomes.

These issues are likely a result of the internal process used to collect the city separation data provided to TALX. Department managers inform DER of the department’s need to separate employees. DER determines which employees will be separated and communicates the details to the department’s Payroll Unit. Payroll clerks are responsible for entering separation data into the payroll feed sent by the city to TALX for display in UC Express. Data inconsistencies can potentially arise at any point in this process; time and space constraints precluded us from being able to pinpoint where the issues found here may have originated.

The availability of only one full year of data also limits our findings by precluding two potentially valuable analytical approaches. First, we were unable to track a sample of separations and/or claims through the UC process to establish connections between separations, claims, protests, and costs. A single year of data fails to capture the initiation of some cases bearing charges in 2007 and the resolution of others, resulting in figures for each step based on a different pool of cases. Second, we were unable to perform trend analyses to evaluate the sources or causes of the year-by-year cost volatility the city has been experiencing.

With a minimum of three to four years of data, both approaches could be conducted through UC Express. A sample of separations and/or claims could be tracked to the conclusion of their respective benefit years, permitting direct comparisons between outcomes for separations, claims, protests, and costs. Cost trends could also be evaluated over multiple years.

Qualitative Analysis

Quantitative analysis cannot describe the separation practices that drive the city's UC costs or the claims administration practices that underlie protest and appeal outcomes. Therefore, this section supplements our quantitative findings with a qualitative analysis of UC-related practices in Milwaukee.

Our primary source for this analysis was interviews with city employees responsible for separation decisions and/or claims administration. We focused on DPW and the Police Department, as those departments made up over three-fourths of the city's UC charges in 2007.¹¹ Since contracting with TALX, the city has identified liaisons within each department to work with TALX to handle UC issues. We contacted the liaisons for DPW and the Police Department as well as the primary UC administrator at DER. We also spoke to managers from the Electrical Services Unit and the Streets and Bridges Unit within DPW regarding separation practices. Appendix D contains the script used for these interviews.

Separation Practices

Seasonal layoffs have historically been a primary source of the city's UC costs, and thus served as the focus of our inquiries into separation practices.

Department of Public Works. DPW's seasonal work year runs from late March to late December. The department begins hiring seasonal workers in late March or early April and typically completes its hiring process by early June. Departmental

¹¹ Our quantitative analysis indicated that the Elections Commission was also responsible for a notable share of the city's UC charges. By the time we discovered this, however, the Elections Commission was occupied with the April 2008 election and staff persons were unavailable for interview. The deadline for this report precluded us from contacting the Commission.

layoffs begin in the fall and are usually completed by the end of December. The length of DPW's seasonal work year is largely dependent on weather trends, since much of the work, such as digging trenches, cannot be done in frozen conditions (Crowbridge, 2008). Layoffs usually occur earlier in years with early winters and later in years with late winters (Miller and Pechacek, 2008).

City Laborer Seasonals and City Laborer Regulars make up the majority of DPW's seasonal workforce. After completing 2,080 total hours of employment, City Laborer Seasonals are reclassified as City Laborer Regulars and receive additional benefits such as vacation days and pension payments (Miller and Pechacek, 2008). City Laborers are responsible for a wide variety of tasks within the Streets and Bridges Unit, the Electrical Services Unit, the Underground Operations Unit, the Forestry Section, and Building and Fleet Services. City Laborers are also trained to plow snow as part of their orientation (Dellemann, 2008).

Seasonal workers are laid off according to seniority. City Laborer Seasonals and City Laborer Regulars generally rank lowest in regards to seniority and are often first to face layoffs (Miller and Pechacek, 2008). Other DPW workers, including Operations Driver Workers and Engineering Technicians, are also subject to seasonal layoffs but less frequently (Crowbridge, 2008).

Seasonal workers switch among units within DPW on an as needed basis. DER coordinates these switches by maintaining a pool of available workers. If one unit no longer needs the services of a worker, the worker is laid off and placed in the pool. When the same unit or another unit requests additional workers, DER fills the request by recalling workers from the pool (Miller and Pechacek, 2008). This system maximizes the deployment of seasonal workers and minimizes the number and duration of layoffs for seasonal employees. Furthermore, the system ensures that the department does not unnecessarily hire different workers for summer and winter tasks by utilizing the same pool to fill requests during the summer and the winter work cycles (Miller and Pechacek, 2008).

UC costs associated with seasonal employees could be avoided entirely by contracting the work to private entities, which would bear liability for the workers they employ. Some divisions do utilize contracting (Dellemann, 2008), but labor agreements restrict DPW from contracting out work currently performed by city employees (City of Milwaukee and Local #195 International Brotherhood of Electrical Workers, AFL-CIO, n.d.; City of Milwaukee and Local #494 IBEW, AFL-CIO Department of Public Works Electrical Group, n.d.; City of Milwaukee and Milwaukee District Council 48 AFSCME, AFL-CIO, n.d.). Therefore, contracting seasonal work to lower UC liability does not appear a feasible option.

Police Department. The Police Department hires two groups of seasonal workers. A minimum of ten Seasonal Telecommunicators are employed from June to September to handle increased calls for service during that period

(Roberts, 2008). The Police Department also hires School Crossing Guards under an intergovernmental agreement between the City of Milwaukee and Milwaukee Public Schools. The Police Department Safety Division currently employs 230 crossing guards as part-time, temporary employees. While most School Crossing Guards work from September to June, some crossing guards are employed for all twelve months at year-round schools (Dukes, 2008).

It is not clear if any UC charges originated from Seasonal Telecommunicators in 2007, because they do not have a unique location ID in the payroll feed. School Crossing Guards do have a location ID with charges assigned, but their identification within the feed is inconsistent across location variables, which precludes us from ascertaining a precise figure for UC charges associated with those employees.¹² We can state that they are no more than about \$14,000, the total UC charges associated with the Safety Division within which crossing guards are employed.

Wisconsin statutes specify that employees of an educational institution are ineligible for UC as long as they are assured a similar job after school vacations (DWD, 2006). This provision may not apply to School Crossing Guards in Milwaukee, however, because crossing guards are employees of the city rather than the school system. Given that the Police Department is currently using its crossing guards only for school purposes (Dukes, 2008), changing the terms of the city's arrangement with the school system to move these positions into the school system might allow both entities to avoid UC liability.

Claims Administration

The city's contract with TALX has given individual city departments more responsibilities for UC administration. Beforehand, DER was responsible for processing all city claims. DER's central location limited their ability to identify and assess the circumstances surrounding each claim, rendering it difficult to determine which claims should be protested. In accordance with common TALX practice, TALX has now identified a UC liaison within each department to help coordinate administration. Liaisons have better access to colleagues who can provide additional information and documentation (Sutherland, 2008). Liaisons are generally employees with broader personnel responsibilities; they estimate that they spend around five percent of their work time on UC-related issues.

¹² Crossing guards are identified in UC Express through two variables: a location ID variable in the benefit charges report and a reason for separation variable in the separations report. However, some claimants with a crossing guard value for the location ID do not use the crossing guard value as the reason for separation. Similarly, some claimants with a crossing guard value as the reason for separation do not have a crossing guard value for the location ID.

City departments are currently not required to keep track of their UC costs, and no procedure is in place for communicating UC costs to departments (Sutherland, 2008). Some departments indicated that they have been accessing UC Express on a voluntary basis in an effort to be more aware of their UC costs, but not all contacts were aware of this access.

Two major areas of confusion regarding claims administration exist within departments. First, confusion exists regarding the division of responsibilities between the city and TALX. Although TALX indicated that the city is ultimately responsible for making protest and appeal decisions, some of our contacts within city departments thought TALX is responsible those decisions. Second, confusion exists within some departments regarding the eligibility requirements for UC, specifically in regards to seasonal workers. Some contacts held the incorrect assumption that seasonal workers were by definition ineligible for UC benefits.

Prior to implementation of UC Express, DER coordinated UC training sessions for all city departments. The sessions provided participants with information on UC law and the claims process in Wisconsin. The training programs were regarded as successful, and representatives of all departments attended, including DPW and the Police Department (Joos, 2008d). The possibility of additional UC training was well-received by the departments we interviewed, and various interviewees suggested that in-depth training for departmental liaisons and basic training in UC for divisional managers would be beneficial.

TALX also reported that from October 2006 to September 2007 the city incurred \$100,471 of avoidable liability. To better understand the causes of this liability, we individually researched the 17 claims recorded as incurring the liability (TALX Corporation, 2007a; TALX Corporation, 2007b; TALX Corporation, 2007c).

We have already noted that this group of cases included cases attributable to one-time issues associated with the city's transition to electronic claims tracking and cases allowed under state statute. At least four of the latter set of cases was allowed because of a specific regulation.¹³ Furthermore, it appears that the results in some remaining cases may have been outside the city's control, or may have involved reasonable judgments by the city that incurring the liability was in their best interest. For example, the city reported that they failed to protest certain of the 17 claims because of uncooperative witnesses and concerns over the possibility of legal action (Grubnich, 2008a). Our method of calculating avoidable liability in UC Express excludes both types of cases resulting in the difference

¹³ The regulation states that a claimant able to perform the work of 15 percent of the available jobs in the local labor market is "able to work" regardless of whether the claimant can perform work available with his or her last employer. The four claimants were deemed "able to work" by DWD under this regulation, but were unable to perform any available city work (Crowbridge, 2008).

between the \$100,471 figure and the 2007 calendar year figure. The latter set of findings suggests, however, that even the lower figure may overstate the amount of liability city departments should be reasonably expected to avoid.

Summary

This section has examined the operations and outcomes of Milwaukee's current UC program. Our quantitative analysis found that DPW was the primary department to incur UC charges, and employee layoffs were the major reason. The city was successful in removing a considerable amount of UC liability and had much lower avoidable liability for the 2007 calendar year than had been suggested by TALX. Our qualitative analysis found that DPW was relatively successful at deploying its seasonal workforce by pooling seasonal workers. We also found, however, that several areas of confusion exist in the city concerning claims administration, areas that need to be addressed.

Section III: Comparable Cities

The above analyses leave key questions concerning the city’s UC performance unanswered. Are Milwaukee’s cost levels high or low? Are its UC practices and concerns comparable to similar cities? Do its current practices reflect an effective program or one with potential for improvement? If change is needed, how might the city achieve it? This section explores those questions by comparing Milwaukee’s UC activities to those of six comparable cities. We use all four factors relevant to UC in Milwaukee to compare cities: separations, claims administration, budget structure, and benchmarks. We also describe the initiatives cities have used to control costs and enhance UC management.

We used four standards to select comparable cities: 1) **Population**, to select cities of comparable size and scale of operations; 2) **Climate**, measured through annual snowfall, to select cities that may use a seasonal workforce with comparable duties and work cycles; 3) **Unionization levels**, to account for the influence labor agreements may have on cities’ personnel practices; and 4) **Program law**, to account for the variation in UC program benefits and eligibility standards present across states. Appendix E describes the selection methodology in detail.

We initially selected a sample of thirteen comparable cities. Representatives in each city were contacted and asked to respond to a questionnaire covering the breadth of UC issues present in Milwaukee (Appendix F). We received responses from one or more representatives of five cities. One other city responded to a condensed questionnaire (Appendix G) focused on basic comparison measures. The six responding cities are listed in Table 6. Their responses serve as the data points for the comparisons and best practices identified in the following sections.

Table 6: Responding Comparable Cities

	Population July 2006	Percent Public Sector Workers with Union Coverage - Metro Area	Average Annual Snowfall (inches)
Milwaukee, WI	573,358	62.1%	47.1
Madison, WI	223,389	56.7%	44.2
Green Bay, WI	100,353	53.7%	47.6
Pittsburgh, PA	312,819	53.7%	43.5
Boston, MA	590,763	59.7%	42.4
Minneapolis, MN	372,833	58.1%	49.7
Des Moines, IA	193,886	52.7%	33.4

Sources: U.S. Census Bureau (n.d.); Hirsch and Macpherson (2008); City-data.com (n.d.); Northeast Regional Climate Center (2000)

Costs

Table 7 compares Milwaukee's 2007 costs to the six comparable cities, controlling for workforce size and variation in state UC benefits. To account for workforce size, total costs are divided by respondents' estimates of the present number of city employees. To account for variation in state UC benefits, cities' costs per employee are weighted according to state-level data on average total benefits received per "first payment," the number of individuals who begin a new benefit year during the period of analysis (U.S. Department of Labor Employment and Training Administration, n.d). This adjustment factor has the virtue of using actual payment data influenced by the breadth of variation in state program laws.

Table 7: Cost Comparison

City	2007 Costs	Number of City Employees	Costs per Employee	Average benefits per first payment, fourth quarter 2007 Q4 '07	Adjusted Cost per Employee
Milwaukee	\$1,002,679	7,600	\$131.93	\$3,206	\$131.93
Green Bay	\$83,740	986	\$84.93	\$3,206	\$84.93
Madison	\$315,694	3,200	\$98.65	\$3,206	\$98.65
Pittsburgh	\$251,631	3,500	\$71.89	\$4,890	\$47.13
Boston*	\$838,591	9,728	\$86.20	\$6,651	\$41.55
Minneapolis	\$887,866	5,588	\$158.89	\$5,335	\$95.48
Des Moines	\$343,661	1,825	\$188.31	\$3,608	\$167.33

Sources: Compilation of questionnaire responses from cities; City of Milwaukee Budget and Management Division (n.d.), U.S. Department of Labor Employment and Training Administration (n.d.), Bridge (2008)

* Adjustments were made to Boston's reported costs to obtain a figure associated with the functions undertaken by other cities. The city estimates that 80 to 85 percent of its costs are associated with the public school system, which is a separate entity in other comparable cities (Adario, 2008). Thus, 82.5 percent of its reported costs were factored out, and the 9,412 staff members listed as working for the school system were subtracted from its reported number of employees (Boston Public Schools n.d.). Also, public health and sewer functions that are performed by other city governments are performed by legally separate entities in Boston. Costs and employee totals for 2007 for the Public Health Commission were added to the city's reduced figures, but we were unable to obtain the Water and Sewer Commission figures. Thus the cost figure provided here does not precisely represent Boston's costs for purposes of direct comparison.

These adjustments are imperfect for directly comparing cities or definitively judging whether their costs are high or low.¹⁴ Consequently, the adjusted costs per employee in Table 7 should not be used for precise rankings or numerical comparisons. These figures can, however, inform a general statement about Milwaukee's costs relative to other cities. The table suggests that Milwaukee's costs may be distinctly high within this sample. Although the city's costs of nearly \$132 per employee are notably lower than the adjusted costs in Des Moines, the other five cities in the sample maintain adjusted costs below \$100 per employee.

No cities expressed concern with their unadjusted costs. All respondents who deal with their city's costs chose to describe those levels as moderate rather than high or low, or stated that costs have never been cause for concern in the city.

The major cost driver reported by nearly all cities was the layoff of seasonal employees. Minneapolis, Green Bay, and Des Moines pinpointed their own public works departments as a key source of seasonal costs (Bjork, 2008; Foeller, 2008; Carter, 2008). Other sources of seasonal-related costs included maintenance and recreational workers in parks departments and temporary employees at city convention centers. The other common driver reported was layoffs resulting from departmental reorganizations or tight municipal budgets.

Separations

Although seasonal separations are a common cost driver across cities, most respondents did not report undertaking initiatives for the express purpose of controlling seasonal-related UC costs. That said, at least three cities have undertaken more broadly conceived efforts to maximize the deployment of their seasonal workers and reported that reduced UC costs have been a byproduct.

All three cities have explored opportunities to minimize the frequency and length of separations by ensuring that winter duties are performed by workers with other seasonal duties during the rest of the year. The public works departments in Minneapolis and Green Bay both use summer laborers for snow-plowing responsibilities (Bjork, 2008; Weber, 2008). Des Moines has established similar

¹⁴ Using the number of city employees does account for the nature of employees' positions. Some cities may have more sizable seasonal workforces, and/or other staffing structures that are associated with higher or lower levels of turnover. Differences in such cities' costs per employee could be seen as reflecting variation in personnel structure rather than success in cost control. Also, while average benefits per first payment accounts for multiple sources of variation in a single measure, we cannot assume its differences accurately reflect the differences in payments claimants from each city would receive in other cities. For instance, the measure may overstate the cost differences for cities operating under stricter eligibility standards. The measure is also driven by individual factors, such as claimants' success in finding other work, that may differ based on variation in claimant characteristics and economic conditions across cities.

arrangements. Recognizing that the November-to-March work cycle for snow removal workers in its Aviation Department matched the March-to-November work cycle for employees in its Parks Department, the city reclassified the two jobs into a single position whose occupants would work year round. The city estimated that the change resulted in \$74,000 in reduced UC liability, though much of those savings was offset by the city's requirement to begin providing insurance benefits to the employees (Stowe, 1998).

Green Bay and Des Moines have also sought to contract out seasonal work (Weber, 2008, Carter, 2008). Des Moines' recent decision to contract out some portion of its grounds maintenance work in its Parks Department accounted for much of the \$50,000 decline in the city's annual UC payments between 2005 and 2007. The city has explored similar arrangements for seasonal work in its Solid Waste Division, but private contractors have been reluctant to take on the high potential workers' compensation liability that could result from those intensely physical jobs (Carter, 2008).

Unions have been a major consideration in these efforts. Opposition has limited the scope of both of Green Bay's efforts. Existing efforts to minimize seasonal layoffs occur among positions represented by the same union; proposals to deploy Parks Department employees for snow-plowing was resisted from unions concerned about encroachment on their work duties. Green Bay's union contracts also limit the number and nature of positions it may contract out (Weber, 2008). On the other hand, union representatives proposed Des Moines' employee sharing arrangement and participated in its implementation (Stowe, 1998).

Examples of improved seasonal deployment efforts are evident, but respondents admit that, like Milwaukee, the scope and magnitude of these efforts is ultimately constrained by a seasonal imbalance in work needs. Though Minneapolis seeks opportunities to minimize seasonal separations, the city simply does not have enough work opportunities in the winter to avoid layoffs (Bjork, 2008).

Claims Administration

Several aspects of claims administration can be compared across cities: the administration of the claims themselves, broader documentation and oversight processes relating to separations, the handling of protests and appeals, budgeting UC costs, and setting benchmarks.

Claims Administration Responsibility

The three largest cities in our sample, Pittsburgh, Minneapolis, and Boston, all contract with TALX (Shannon, 2008; Bjork, 2008; Adario, 2008; Pia, 2008). Their claims administration arrangements under their contracts are identical in nature to the arrangements in Milwaukee described in Section I and Appendix

A. Central human resources departments have enterprise claims administration responsibilities in Green Bay and Des Moines, while departments maintain responsibilities in Madison (Metzler, 2008; Carter, 2008; Skaleski, 2008a).

Similar to Milwaukee, UC tasks in most cities are secondary responsibilities of employees with broader personnel management concerns. Most respondents estimated that UC-related work occupies no more than 5 to 10 percent of their time. The exception is Boston, which assigns two full-time employees to UC in addition to the claims administration work undertaken by TALX. However, this is primarily due to the city's management of the public school system, which is not the case in Milwaukee or any other comparable cities (Adario, 2008).

All TALX clients report satisfaction with their arrangements. Each client states that the contract has been cost-effective through its reduction of city workloads, its enhanced oversight of claims administration activity, or both (Adario, 2008; Bjork, 2008; Pia, 2008; Shannon, 2008).

Documentation and Oversight

Documentation is a departmental responsibility across cities. Supervisors are naturally responsible for documentation associated with their employees, such as disciplinary incidents or statements of resignation. In every city except Madison, this documentation is subsequently provided to TALX or central administrators for purposes of making and supporting decisions to protest claims.

Central departments in at least three cities have been proactive in providing oversight and assistance for departmental UC activities. Minneapolis provides educational assistance on a regular cycle, offering "refresher training" sessions approximately every 18 months (Bjork, 2008). Des Moines undertakes regular training efforts of its own, and supports those efforts with a set of city-wide documentation guidelines (Carter, 2008).

The City of Boston has established perhaps the most extensive system of outreach to departments, through a comprehensive working relationship between the Office of Human Resources and individual departments (Adario, 2008). Departments receive training and assistance, including on-site visits, based on a set of written guidelines. Meetings are regularly held to review costs and discuss control practices. The office provides oversight and accountability by issuing regular reports on departments' activities, including scorecards evaluating their success in achieving UC-related outputs and outcomes (Adario, 2008).

All three cities cite their efforts as effective. Des Moines believes that the establishment of more extensive training and centrally written guidelines has achieved noticeable annual cost savings (Carter, 2008). Boston states that the collaboration inherent in its comprehensive approach has been mutually beneficial, ensuring

department accountability, clarity in roles and responsibility, and a shared focus on cost control (Adario, 2008).

Protests and Appeals

Milwaukee's 88 percent success rate in protest and appeals appears to fall on the high end of the range found in other cities. Two other TALX clients, Minneapolis and the Boston Public Health Commission, won protests and appeals in 2007 at a rate of 91 percent and 80 percent, respectively (Bjork, 2008; Pia, 2008). Other cities do not maintain or did not provide systematic data on their success rates, but respondents provided estimates typically ranging between 75 and 90 percent.

Two sources were commonly cited as accounting for the minority of cases lost. First, incomplete or inaccurate documentation sometimes left cities unable to substantiate their claims upon protest or appeal. Second, cities tended to face a handful of cases with highly ambiguous circumstances, some of which resulted in state interpretations unfavorable to the city. Respondents reported satisfaction with their success rates, with several noting that they cannot expect perfect success given the presence of ambiguous cases.

Budgeting Structure

Madison and Pittsburgh's budget arrangements share two key characteristics with Milwaukee's: UC costs are paid out of a central fund, and departments do not bear responsibility for their costs. Departments are responsible for their own UC costs in the other four cities, a practice also followed by the federal government (U.S. Office of Management and Budget, 2007). In three of those cities, Human Resources or Finance Departments still maintain central funds similar to Milwaukee's. Rather than delegating budgeting responsibilities to departments, these oversight departments assign fund contributions to departments in the budgeting process or require them to reimburse the fund for costs incurred.

The idea that assigning departmental responsibility creates incentives to control costs is broadly shared. The federal government reformed its centralized structure in 1980 under that rationale (U.S. Government Accounting Office, 1986). However, we are aware of no evaluation assessing the impact of the federal reform, and some respondents noted that departmental responsibility in their cities did not necessarily inspire cost control. Departmental attention to UC costs appears to be greatest in Boston, but responsibility for costs is only one element of their working relationship with UC officials described above (Adario, 2008).

Benchmarks

Boston's use of scorecards, described above, is the only internal use of benchmarks in the six cities. Other TALX clients are provided industry averages (Bjork, 2008), but no other city reports developing or using benchmarks of their own to track the program or judge aspects of its performance. In part, this appears to be a function of UC's secondary status in employee and departmental workloads. Several respondents felt that program benchmarks would be helpful and valuable, but stated that establishing them had not reached priority status given the presence of other goals and projects.

Summary

Comparing Milwaukee to our sample of cities has value for placing Milwaukee's own UC characteristics in context. Table 8 summarizes the findings on each point of comparison. The city's seasonal-driven UC costs appear to be common across cities with similar climates, but a weighted, per-employee cost comparison suggests that the overall costs it incurs may lie on the high end of the spectrum established by this sample. The comparison is not precise, though, and the city's win rate for claims protested and appealed suggests its success in one key area of cost control, combating overpayments to claimants, is comparatively favorable.

We note that these six cities do constitute a sample limited in size and perhaps in representativeness. Except for Boston, the cities which responded to our inquiries had among the lowest populations in our initial sample. Thus most comparisons above are with cities with populations 200,000 lower than Milwaukee's and city workforces with at least 2,000 fewer employees than Milwaukee's. This fact and the sample size suggest caution in accepting any comparative conclusions as definitive.

Regardless, activities reported in these cities also have value in suggesting best practices across several aspects of UC policy and management. Experience in Green Bay and Des Moines suggests that efforts to minimize layoffs of seasonal employees and contracting seasonal work can reduce UC costs. Budget structures that assign UC costs to departments are more common than not. Although evidence is lacking to suggest that departmental assignation of costs inspires cost control on its own, it appears that coupling that structure with a more extensive working relationship with departments, involving education, oversight, and collaboration, could improve departments' capacity and motivation to take greater ownership of their costs. Finally, while the use of benchmarks is too infrequent in this sample to characterize it as a best practice, Boston's use of benchmarks as part of its working relationship suggests they can play a positive role in UC management.

Table 8: Summary of UC Comparisons

Program Characteristics	Findings in Milwaukee	Findings in Comparable Cities
Total Costs	\$131.93 per employee in 2007	Some cities have higher 2007 per employee costs after accounting for state laws; but the majority of sampled cities have costs of <\$100 per employee
Cost Drivers	Seasonal employees, particularly in DPW	Seasonal employees typically serve as a central cost driver
Seasonal Employee Deployment	Interested in maximizing; DPW pooling helps accomplish this goal	Several cities have sought to control UC costs through job sharing of seasonal tasks and outsourcing of seasonal work; successful cost control evident in some cases
Claims Administration Responsibility	Department liaisons support TALX's activities	Three cities contract with TALX under similar arrangements; UC is a secondary element of workloads for responsible employees across most cities
Documentation and Oversight	Low, avoidable costs; some apparent confusion among TALX liaisons	Several cities take proactive roles in working with departments, through regular and intensive training, development of clear guidelines, and oversight
Challenges and Appeals	"Win rate" of 88%	Measured or estimates success rates range between 75 and 90 percent
Budgeting UC Costs	Budgeted out of central fund; departments do not bear costs	Departments bear costs in the majority of cases; under the most common arrangement, cities maintain a central fund but assign costs/payments to departments
Benchmarks	No benchmarks	Use of internal benchmarks rare

Source: Compilation of questionnaire responses from cities.

Section IV: Options for Change in Milwaukee

The previous two sections have provided a detailed picture of UC in Milwaukee, context from comparable cities, and descriptions of best practices in those cities. Here, we use that as a foundation to evaluate Milwaukee's success in managing its UC program and controlling its costs. We identify options for making improvements, highlighted by our findings in Milwaukee and practices in comparable cities. We evaluate the potential value of those options to the city, highlighting considerations of their compatibility with the city's evident needs for improvement, their likelihood of successfully achieving improvements in those areas of need, and the feasibility of implementing those practices in Milwaukee.¹⁵

Costs

Milwaukee incurred about \$1 million in UC charges for calendar year 2007. Our breakdown of these costs confirmed that they are driven substantially by seasonal layoffs and originate primarily in DPW.

Unfortunately, limitations in the available data restricted our capacity to fully analyze the drivers of these charges and UC outcomes. A number of classifications are not consistently recorded in the city payroll feed which provides the source data for UC Express, and this prevented us from assessing the proportion of charges attributable to seasonal layoffs and School Crossing Guards. The availability of only one year of data in UC Express also precluded us from examining the sources of the cost volatility the city has been experiencing or making connections between separations, claims, protests, and charges.

It appears that some of the inconsistency originates in the coding performed by individuals responsible for determining the data in the payroll feed. Time constraints prevented us from assessing the extent to which this originates with the department managers who initiate separations, DER's actions in making separation determinations, or the payroll clerks who enter separation information into city data systems (Schumacher, 2008). In any case, the city could improve its data tracking and analysis by taking action to ensure greater coding consistency. Milwaukee may find inspiration for such action from the comparable cities who reported improved claims administration by developing written documentation guidelines. Guidelines for data entry that clearly define the appropriate coding for different employees and different forms of separation could be developed by DER and distributed to all participants in the process. Such guidelines would also

¹⁵ Our analysis does not take the form of a standard policy analysis, where all options are evaluated comprehensively against one defined set of evaluation criteria. Instead, we evaluate each option for change on its own terms, identifying its strengths and weakness individually.

permit DER to audit data entered after their establishment and identify sources of ongoing confusion and inconsistency.

The second limitation—insufficient data—can be overcome by 2010 or 2011. Three to four full years of data would be available through UC Express by that time, providing the city enough information to evaluate cost trends over multiple years and track a set of separations and/or claims to their conclusions. For all the progress UC Express allows in efficiently performing data analysis, either approach would require investments of time and effort. If UC remains an area of interest and concern for the city at or after that time, analysis focused on one or both approaches could provide insight on UC in Milwaukee beyond what this report has been able to present. Our methodology outlined in Appendix B may be helpful to UC Express analysts.

These limitations aside, UC Express does provide quite a clear picture of Milwaukee's costs in 2007, and comparison with other cities suggests those costs may be relatively high. We return to the four cost factors identified in the introduction to judge the validity and magnitude of those concerns in Milwaukee and consider where effective and feasible opportunities for improved cost control and management may lie.

Separations

Some level of seasonal separations appears to be unavoidable in cities with climates such as Milwaukee's. However, experience in several comparable cities suggests that arrangements to minimize layoffs of seasonal employees and contracting out seasonal work to private employers can be effective practices for minimizing the exposure to associated UC liability.

This report's analysis of the city's own practices for managing seasonal separations indicates that for the largest group of seasonal workers, City Laborers within DPW, separation minimization already occurs on a large scale. DPW's pooling system maximizes deployment of seasonal employees throughout the department and the year by ensuring that the same workers separated from seasonal work are hired when new employment needs arise.

Further steps toward UC cost control through interdepartmental cross training or through contracting out seasonal work seem infeasible. Most significantly, current union contracts covering DPW employees forbid the city to contract out work currently performed by city employees.

Milwaukee's own arrangements for employing crossing guards does suggest the possibility of a small opportunity for controlling seasonal-related UC costs by shifting to a different public employer. Given that crossing guards are employed only at schools, using the school system rather than the city is conceptually

feasible. Wisconsin statute stating that seasonal employees of educational institutions are ineligible for UC if given assurance of their reemployment (Unemployment Insurance and Reserves, 2005-2006) suggests the reformed arrangement may expose neither entity to associated UC liability. The savings from such a change would likely be minimal; crossing guards accounted for at most 1.4 percent of the city's total UC charges in 2007. However, the reform required to incur these savings is sufficiently straightforward to suggest the city may still find it feasible and worthwhile to explore the possibility with the school system.

Limited time and space precluded us from exploring seasonal positions or separation practices within a broader range of departments. It is certainly possible that such exploration could identify opportunities for minimizing exposure to UC liability. What we can conclude is that Milwaukee appears to do well, under the constraints of seasonal imbalances in work availability and union agreements, in minimizing UC exposure for key groups of seasonal workers. Reforming the employment arrangements for crossing guards presents one opportunity for minimal cost savings, but no clear opportunities exist for achieving notable seasonal-related cost savings.

Claims Administration

Comparison with other cities suggests that Milwaukee was effective in 2007 at combating overpayments to claimants. The city's win rate of 88 percent of protest and appeals placed it near the top of the range reported by our sample of comparable cities. The city also maintained a clearly low level of avoidable liability. Its exposure as measured by TALX was equal to less than 10 percent of total costs protested, and it appears that even some of those cases do not represent liability the city could have realistically avoided.

Our discussions with claims administrators in Milwaukee do suggest the presence of misunderstanding and insufficient communication regarding aspects of UC. Some administrators may lack complete and accurate knowledge of UC payments and eligibility, as well as clarity regarding their responsibilities in working with TALX. Department managers and administrators also do not consistently take the opportunity presented by TALX to track and assess their UC costs.

Our analysis thus suggests Milwaukee could do more to align itself with the best practice of a proactive working relationship between departments and central administrators such as DER. Substantial educational efforts are a key element of those practices, and the existing confusion suggests that DER should follow up on its earlier training with additional efforts focused on further improving understanding of the UC program and clarifying the responsibilities and opportunities established by the city's contract with TALX. Scheduling training for the summer of 2008 could also allow the city to establish a cycle for "refresher

training” akin to the 18-month cycle in Minneapolis, to help administrators develop a continually improving grasp of the UC program’s complexities.

Adopting other aspects of the working relationships found in other cities could further enhance departments’ UC-related knowledge, awareness, and administrative capacity. Regular departmental notification of UC costs by DER could reinforce the awareness established by trainings and encourage departmental attention to UC, which simple access to UC Express apparently has not fully achieved. Boston’s use of scorecards to inform departments of their UC-related outcomes could be adopted by DER to increase communication and awareness, and could serve as a basis for holding departments accountable for their UC activities.

Given the existing data on Milwaukee’s administrative outcomes, it is unclear whether any of these approaches would bring the city substantial cost savings. However, the costs of implementing training or scorecards are not likely to be great, especially given the city’s enhanced capacity to track activities through UC Express. Even small administration-related cost savings through these efforts would likely provide net gains to the city. Such initiatives would have additional value in encouraging increased attention to and communication relating to UC among departments. These increases could serve as a foundation for managers to seek continual and collaborative improvement in administering UC and controlling costs.

Budget Structure

Department responsibility for UC costs was not universal across our sample of comparable cities. The practice appears common enough, however, usually in the form of reimbursement to or budgetary arrangements with central funds, to characterize Milwaukee’s centralized system as a minority approach.

The evidence at hand does little to suggest that establishing departmental responsibility for UC costs would encourage greater efforts toward cost control by itself. However, if implemented with the educational and communicational practices just described, departmental cost-bearing could be a viable element of a working relationship that encourages and supports departmental ownership of the breadth of their UC responsibilities. Accountability could be established and reinforced through cost responsibility and “scorecards” of administrative performance. Shared cost responsibilities could encourage collaborative efforts between DER and departments to control costs as part of budgeting processes.

In addition, departmental notification of costs could help phase in department cost-bearing. The success of notification in apportioning costs and enhancing awareness could ensure a validated basis for charging costs to departments and prepare them to take upon their cost responsibilities. The present existence of a

central UC fund in Milwaukee, as well as the structure established through notifications, suggests achieving this transition through the common practice of reimbursements to a central fund would be feasible to implement.

Benchmarks

Boston's example suggests benchmarks can have value as another element of a working relationship. Milwaukee's enhanced capacity for measuring and tracking UC activities through UC Express makes the establishment and regular use of benchmarks feasible for the city to manage. Following Boston's scorecards, such benchmarks could be measured by departments and accompany the city's departmental cost notifications. The measures could also be applied to Milwaukee in the aggregate, to guide general evaluation and understanding of the UC program.

Benchmarks that could be collected and tracked with relative ease would maximize feasibility of implementation. Such benchmarks would also require clear and understandable relationships to the program goals of cost control and effective administration to achieve the desired impact on departments' attention to and performance regarding UC. We believe that five benchmarks fulfill those criteria and could serve as foundational benchmarks for evaluating departmental and citywide performance on those program goals. We list them below, and explain how we constructed them, what we believe their implications are for program performance, and what goals we recommend for subsequent outcomes on each measure.

Claims administration outcomes are straightforward to track and explain. We propose that two be used.

- 1. Win rate:** the percent of protested claims that ultimately result in a favorable decision. This rate is a clear measure of the department's success in winning protests and appeals. The city's 88 percent rate in 2007 compares favorably to other cities. A reasonable goal thus would be for Milwaukee to maintain its 2007 rate in future years.
- 2. Cost avoidance ratio:** avoidable liability incurred divided by total liability suspended or avoided. Outcomes on this measure should correlate strongly with the win rate. Avoidable liability results from unsuccessful protests and/or appeals, while liability suspended or avoided results from successful protests and/or appeals. Although TALX's definition of avoidable liability may overstate the amount of costs the city could have reasonably avoided, this measure still has value in highlighting the cost consequences of administrative outcomes. Continued maintenance of a ratio below 10 percent serves as a reasonable goal.

Benchmarks for separation and cost outcomes are more difficult to construct, as metrics related to either issue will be influenced by variables outside city control. For example, the level of revenues available from outside sources affects the city's capacity to maintain its workforce levels, and weather conditions influence the timing and duration of seasonal layoffs. Separation decisions and cost levels may also involve tradeoffs that make it difficult to assess outcomes as positive or negative. UC cost exposure may increase if the city's need for seasonal workers becomes lower, but that may be the result of enhanced productivity or efficiency.

We recommend three benchmarks in these areas, to serve as starting points for investigating the sources of changes in the measurements and assessing their acceptability. We do not recommend goals for outcomes on these measures based on the considerations above, and note that they alone should not be used to draw conclusions on the performance of the city or individual departments.

- 1. Number of benefit years initiated.** Claimants may be responsible for multiple claims within UC Express during a year, or even a month, when they renew existing claims. In any 52-week period, however, claimants may only initiate one benefit year. This measure thus provides a more precise measure of total claims than that provided in UC Express.
- 2. Total costs per employee.** This provides a straightforward measure of the city's total costs and can be compared to the weighted outcomes for comparable cities described in Section III.
- 3. Total costs by location.** Appendix C comprehensively breaks down the city's UC costs across and within departments. Such information can be easily obtained within UC Express using location ID, and it can be used by the city for detailed tracking of cost changes and trends.

All of these benchmarks can be tracked on a quarterly basis and accompany departmental notification of costs. They may also be tracked yearly to measure and assess overall outcomes and construct trend analyses.

Summary

Suggestive evidence indicates that Milwaukee's UC costs may be comparatively high. Even so, the research in this report indicates that Milwaukee is effective in controlling both key sources of costs, by minimizing the seasonal separations that account for much of its costs and effectively combating illegitimate claims. As a result, no opportunities seem evident for the city to achieve major UC cost savings.

The research does suggest that there is a need and opportunity for improved UC administration across the departments responsible for significant proportions of UC costs. Establishing healthy working relationships between departments and such central administrators of DER appears to be a feasible way to improve the city's administrative practices. It appears that the city could pursue additional gains in departmental ownership of costs through the phase-in of departmental responsibilities for paying costs incurred by their employees, and by developing benchmarks for more consistent and precise tracking and evaluation of UC-related outcomes throughout the city. The limitations of the data used to conduct this research also suggest that the city could improve its analytical capacity for future work by ensuring more consistent data collection and revisiting UC cost analysis when more data becomes available.

Section V: Recommendations

The results of our assessment in Section IV suggest seven distinct recommendations for the city to improve its UC cost control and management.

1. DER should develop written guidelines to ensure consistent coding of the payroll feed data uploaded to UC Express. The guidelines should specify appropriate coding for different employees and different circumstances of separation, and should be distributed to all city employees with responsibilities related to employee separations or data entry. Audits should be performed on data entered subsequent to the establishment of the guidelines to assess compliance.
2. The city should explore with the Milwaukee Public Schools the possibility of employing crossing guards through the school system.
3. DER should provide training to departments. The training should be focused on key aspects of UC program law as well as the division of responsibility between TALX and city employees. The training could also serve as an opportunity to disseminate and explain coding guidelines. Such training opportunities should occur on a regular cycle, continually updating and enhancing departmental knowledge of the program.
4. DER should establish benchmarks for continuous tracking and assessment of UC-related outcomes, measured city-wide and by department. We recommend DER begin with five benchmarks: 1) “win rates” on protests and appeals; 2) cost avoidance ratio; 3) number of benefit years initiated; 4) total costs per employee; and 5) total costs by location.
5. DER should notify departments of their costs and their performance on the benchmarks by distributing scorecards on a quarterly basis.
6. Once scorecards are established, DER and the Budget and Management Division should examine the option of distributing UC costs to incurring departments, based on the apportionment of costs on the scorecards. A system in which departments reimburse costs incurred to DER’s existing Unemployment Compensation Special Fund would be administratively feasible and comparable to arrangements in other cities.
7. DER and the Budget and Management Division should revisit the outcomes and cost levels of its UC program in 2010 or afterwards. If the level and volatility of costs remain issues of concern, managers should consider using the data analysis techniques used here to undertake an expanded analysis of the program, focused on trends in annual costs levels and/or the tracking of a sample of cases from separation to final payment.

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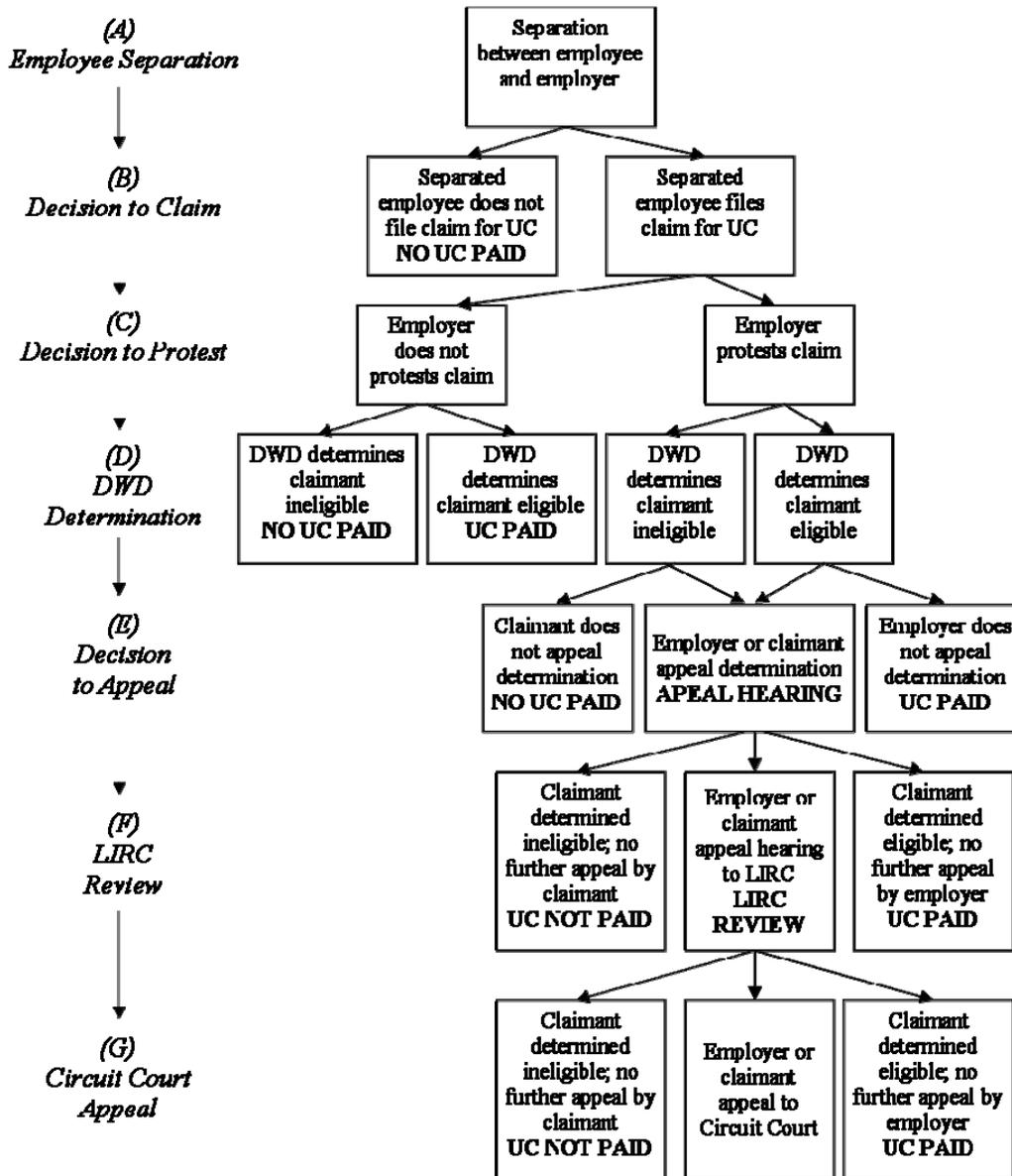
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Appendix A: The Unemployment Compensation Process

Following is a description of the UC process from employee separation to final claim resolution. Figure 4 identifies each major step in the UC process and its potential outcomes. The accompanying text describes each step and outcome in Wisconsin, first in general terms and then as it applies to the City of Milwaukee.

Figure 4: The UC Process: Stages and Outcomes



Source: DWD, 2006

(A) Employee Separation: An employee is separated from an employer.

City of Milwaukee: A separation occurs between the City of Milwaukee and an employee. TALX is notified of the separation through the city's submission of a biweekly payroll feed containing employment information for all city employees (Grubnich; Joos; Monteagudo; and Sutherland, 2008).

(B) Decision to Claim: The separated employee decides whether to file for UC benefits. If the employee does not file, he or she receives no benefits and the employer faces no liability. If the employee (hereafter the claimant) decides to file, he or she submits a claim application to DWD to "start a new unemployment benefit year or to resume or reopen an existing unemployment benefit year." DWD sends Form UCB-16 to the claimant's former employer or employers and/or their designated agent or agents to verify the reason for separation reported by the claimant. The employer must return Form UCB-16 to DWD within 14 days (DWD, 2006).

City of Milwaukee: If a separated city employee files a UC claim, DWD sends Form UCB-16 to TALX to verify the reason for separation reported by the employee (Grubnich; Joos; Monteagudo; and Sutherland, 2008).

(C) Decision to Protest: The employer decides whether to protest the claim for UC benefits. If the employer believes the claimant eligible for UC benefits, the employer typically will not protest the claim. The employer completes Form UCB-16 and sends it back to DWD. If the employer believes the claimant ineligible for UC benefits, the employer may protest the claim by describing in writing the reasons the employer believes a claimant ineligible, sending that description and supporting documentation back to DWD with Form UCB-16. DWD begins an investigation in response to an employer protest, taking a statement from the claimant and communicating with the employer as needed (DWD, 2006).

City of Milwaukee: If the claimant's reason for separation was labeled as a quit, a discharge, or an "other reason for separation" in the city payroll feed, TALX flags the claimant as potentially ineligible and contacts the department for which the claimant worked to obtain additional information about the separation (Grubnich, 2008a).

TALX does not protest a claim if (1) the reason for the claimant's separation from city employment was reported to TALX by the city as "lack of work—layoff" OR (2) TALX identified the claimant as potentially ineligible but was instructed to not protest the claim (Grubnich; Joos; Monteagudo; and Sutherland, 2008). TALX protests a claim on the city's behalf if (1) TALX identified the claimant as potentially ineligible AND (2) the appropriate department instructed TALX to protest. TALX sends written protests to DWD along with documentation and Form UCB-16 (Grubnich; Joos; Monteagudo; and Sutherland 2008).

(D) DWD Determination: DWD uses statutory criteria to determine a claimant's eligibility for UC benefits. To be eligible, claimants must have earned wages from

qualified employment in their base period, “the first four of the last five completed calendar quarters prior to the week in which a new initial claim application for unemployment benefits is filed” (DWD, 2006). Claimants also must have earned at least \$1,325 in their high quarter, “the calendar quarter in a claimant’s base period during which the claimant was paid the highest amount of wages from all covered employment” (DWD, 2006). Claimants must generally have been separated from employment under no fault of their own, meaning they are typically ineligible if discharged for misconduct or quit of their own volition.

If the employer did not protest the claim but the claimant does not satisfy state eligibility requirements, the claimant receives no benefits. If the employer did not protest a claim and the claimant satisfies state eligibility requirements, the claimant can collect full or partial unemployment benefits for his or her benefit year up to the maximum benefit amount. The appropriate employer’s UC account is charged for benefits paid. If the employer did protest a claim, DWD conducts a fact-gathering investigation to determine the claimant’s eligibility for UC benefits. After completing the investigation, DWD notifies the employer and the claimant of its determination on Form UCB-20 (DWD, 2006).

City of Milwaukee: If TALX protests a claim on the city’s behalf, DWD begins a fact-gathering investigation. DWD notifies TALX of its determination on Form UCB-20. If DWD rules the claimant ineligible, TALX records the liability associated with the claim as “liability suspended or avoided” and notifies the city of the determination (Grubnich, 2008a). If DWD determines the claimant eligible, TALX sends an unfavorable decision notice to the department for which the claimant worked (Sutherland, 2008).

(E) Decision to Appeal: For DWD determinations unfavorable to the claimant, the claimant decides whether to request an appeal hearing in response to the determination. If the claimant does not request a hearing, the claimant receives no UC benefits and the employer faces no UC liability as a result of the claim. For DWD determinations unfavorable to the employer, the employer decides whether to request an appeal hearing in response to the determination. If the employer does not request an appeal hearing, the claimant receives UC benefits. The employer’s UC account is charged for benefits paid to the claimant (DWD, 2006).

If the claimant or the employer requests an appeal hearing, DWD sends both parties a Confirmation of Timely Appeal to confirm the request and a Notice of Hearing that includes the time and location of the appeal hearing. Appeal hearings are conducted by an administrative law judge, who, after hearing testimony from the claimant and the employer, makes an Appeal Tribunal Decision regarding the claimant’s eligibility (DWD, 2006).

City of Milwaukee: If a DWD determination is unfavorable to the city, TALX contacts the appropriate department to find out whether to appeal. TALX does not

appeal an unfavorable DWD determination if instructed by the department not to do so. Departments may rationally choose to not appeal a determination for several reasons. For instance, the non-monetary costs of continued interaction with a claimant at an appeal hearing might be judged to outweigh the cost savings realized through a successful appeal, or the time or resource costs associated with an appeal hearing, such as through lost working hours and/or overtime pay for witnesses, might be projected to outweigh the cost savings (Sutherland, 2008).

If the department instructs TALX to appeal the determination, TALX requests a hearing on the city's behalf. DWD sends TALX, the appropriate city department, and, for most departments, DER a Confirmation of Timely Appeal and a Notice of Hearing. Departments are responsible for identifying and determining which departmental employees should attend the appeal hearing. A department's TALX liaison is usually responsible for identifying and contacting first-hand witnesses (Grubnich; Joos; Monteagudo; and Sutherland, 2008).

DER is typically involved in the appeals process for all departments except DPW and the Police Department. DER prepares departments for the hearing and informs them of what to expect. Depending on the case's circumstances, DER might seek the assistance of an attorney hired through TALX. All appeal hearings involving the Police Department are handled by the assistant city attorney (Sutherland, 2008).

(F) LIRC Review: The claimant and the employer have the right to appeal the Appeal Tribunal Decision to the Labor and Industry Review Commission (LIRC). LIRC generally makes its determination based only on testimony and documentation presented at the original appeal hearing (DWD, 2006).

City of Milwaukee: If the Appeal Tribunal Decision declares the claimant ineligible, TALX records the potential financial liability associated with the claim as "liability suspended or avoided" and notifies the city of the favorable determination (Grubnich, 2008a). If the Appeal Tribunal Decision declares the claimant eligible, TALX again contacts the appropriate city department to ask if the department would like to appeal to LIRC. Departments usually base their decision on the general atmosphere and feeling at the original appeal hearing (Sutherland, 2008). If the city informs TALX to not appeal the determination to LIRC, the claimant receives UC benefits.

(G) Circuit Court Appeal: The claimant and the employer have the right to appeal LIRC's determination to Wisconsin circuit court. Appeals to the circuit court officially enter the legal system, where all normal litigation procedures and precedents apply (DWD, 2006).

City of Milwaukee: If LIRC's determination is not in the city's favor, TALX again contacts city officials to decide whether to appeal to circuit court. If the city decides not to appeal, the claimant receives UC benefits. If the city decides to appeal, the city legal department conducts the appeal (Joos, 2008d).

Appendix B: Methodology Followed in Section II Quantitative Analysis

This appendix describes in detail the methodology employed in our quantitative analysis. Most data used were taken from UC Express. UC Express allows users to access UC data through four types of reports: total benefit charges received (referred to as the benefit charges report), total liability avoided or suspended (the liability suspended or avoided report), claims (processed and protested), and separations received (the separations report). For each report, users can define a specific timeframe. We defined the timeframe to include only data from the 2007 calendar year (1/1/2007 to 12/31/2007). Many of the calculations in our analysis required us to link data across reports, which proved challenging and, in some cases, required us to make use of additional data. We document these challenges and data sources below. The following subheadings correspond to those in the Qualitative Analysis subsection of the report.

UC Charges for the City of Milwaukee by Month

The benefit charges report lists UC charges by individual benefit charge, which occurs on a weekly basis as claimants receive payments from the state. We aggregated benefit charges listed for each month of the 2007 calendar year, based on the “benefit charge date” in the report, to get charges by month.

UC Charges by Department

For each listed charge, the benefit charges report identifies a five-digit location ID that indicates the division or unit within a department from which the claimant was separated. We used a spreadsheet provided to us by the City of Milwaukee Budget and Management Division (Joos, 2008a) to link each location ID value identified in the benefit charges report with the appropriate department. One location ID value in the benefit charges report was not listed in the spreadsheet, “38115.” This location ID value fell between two values associated with the health department leading us to the assumption that this location ID value was also associated with the health department. In the benefit charges report 734 benefit charges did not have a location ID value listed. We gave those 734 benefit charges a location ID value of “0,” which we defined as “no location ID given” (TALX Corporation, 2008a).

After linking the location ID values to departments, we aggregated benefit charges for the 2007 calendar year to get total charges by department. All benefit charges listed as “no location ID given” were included in the category “Unknown Department.” We also used the location ID value to break down total DPW charges within divisions. Each DPW unit has a separate location ID value. We aggregated these location IDs within four general entities in the department: Infrastructure, Operations, Water Works, and Parking.

UC Charges by Reason for Separation and Seasonality

To calculate UC charges by reason for separation, we had to link data in the benefit charges report and the separations report. The benefit charges report identifies the employee responsible for each charge but does not identify the reason for the employee’s separation. The separations report does list reasons for separation, as entered in the city’s payroll feed. We linked employees listed in the benefit charges report to their corresponding entry in the separations report.

Two challenges arose in attempting to link the reports. First, 58 employees identified in the benefit charges report were not listed in the separations report, presumably because the employees’ separations from city employment predated UC data tracking through UC Express. DER was able to provide a reason for separation for 26 of the 58 employees (Monteagudo, 2008). We had to translate the reason for separation information provided to us by DER into the feed language of TALX. To do so, we created the translations in Table 9.

Table 9: Reason for Separation Translations

If the Reason for Separation was given by DER as this:	We recorded the value for the General Separation Category variable in UC Express as this:	And the value for the Separation Description variable in UC Express as this:
Expiration of Temporary Appointment	Lack of Work/Layoff	Lack of Work--Temporary
Leave of Absence (LOA)	Other Separation Issue	LOA
Resignation	Voluntary Quit/Resignation	Resignation
Layoff	Layoff	Layoff
Discharged	Discharged	Discharged
Resignation in Lieu of Discharge	Resignation	Resignation

Source: Developed by authors

We classified the remaining 32 separated employees as “incomplete cases.”

Second, the separations report listed 237 employees as having been separated multiple times from city employment in 2007. Employees may have multiple listings in the separations report for one of two reasons. First, an employee will have multiple listings if the employee was actually separated multiple times from the city in 2007. Second, an employee may have multiple listings if the city department initially reported one reason for the employee’s separation and later changed this reason in their records. When this occurs, UC Express does not

delete the entry with the first reason for separation, causing employees to be listed multiple times for a single separation (Grubnich, 2008a).

It is impossible to determine within UC Express which of these two reasons applies to each employee. Of the 237 separated employees with multiple listings, 76 (responsible for \$255,659 of benefit charges) had conflicting reasons for separation listed. We classified the UC charges arising from these employees under the category of “Multiple reasons for separation given.”

Total Liability Suspended or Avoided

The claims protested report in UC Express lists all claims protested by the city. However, interpreting this report is complicated by the fact that one employee is often associated with multiple claims. If a claimant obtains partial UC benefits for a given week, or continues claiming on a benefit year after temporarily finding other employment, he or she must file additional claims to recalculate benefits or reopen the benefit year. Each such claim is recognized by TALX as a separate claim, even if they are filed by the same individual for the same benefit year. The number of claimants protested by the city, therefore, is not necessarily equivalent to the number of claims protested by the city as reported in UC Express. Consider the hypothetical case of a claimant who is associated with five claims and is protested once by the city. UC Express will record the city’s protest as five protested claims even though the protest was against one claimant.

For this reason, we use the number of protested claimants in Section II rather than the number of protested claims. We combined the claims protested report and the claims not protested reports, to obtain a sample of 822 claims. These 822 claims were associated with 366 different Social Security Numbers, signifying 366 individual claimants. 293 claimants had non-protested claims, 107 claimants had protested claims, and 34 claimants had protested and non-protested claims. We identified claimants with protested and non-protested claims as having been protested. Thus, the number of protested claimants as presented in our report is the sum of claimants with only protested claims and claimants with protested and non-protested claims. We divided this number by the total number of claimants to get the percent of claimants protested by the city.

Our methodology for calculating total liability avoided and avoidable liability is fully described in the body of the report.

Appendix C: 2007 UC Charges by Month and Location

Loc ID	Department	Description	Charge in \$												
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
0	No loc. ID	-	21,355	28,339	23,320	21,013	14,349	1,872	-115	-331	-395	340	2,275	2,358	114,381
13101	C. City Clerk	City clerk office		696			379	1,414	1,925	2,406	2,635	1,480	2,256	1,559	14,749
17002	Election Com.	Elect. comm. staff	3,106	2,049	989	2,057	2,149	8,704	7,803	11,542	9,193	10,151	3,309	1,172	62,223
19111	Department of	Planning division	1,364	446											1,810
19139	City	Rent Assistance				372					391	-10	1,002	1,383	3,137
19154	Development	Hsg operations	452												452
22199	City Treas.	Treas Temp Pos.	393	131	524	524	178	0	0	0	0	0	524	524	2,797
32845	Fire Dep.	Relief chiefs				-22	585	172	0	-3	-9		-20		702
33100	Police Department	Off.chief/exec staff, mdp off payroll	8,899	11,818	8,304	7,578	8,630	3,379	2,878	1,775	355	-162		-200	53,253
33100		-	329	700	567	244	297	240	230	920	725	424	923	785	6,384
33101		Personnel division	33	40	5,480	539		2,840	1,420	2,627	1,224	1,654	2,982	2,456	21,295
33102		Safety division	711	1,530	879	810	977	534	999	2,564	1,563	1,897	1,112	443	14,019
33106		Fac. - maint. serv.	55	137		-21									172
33110		Mpd off payroll, Off. Assist. Chief								727	909	1,477	1,010	764	4,886
33167		Rec. MGT section											806		806
36008	Department of	Plumbing insp.									1,359	1,202	964		3,525
36009	Neighborhood	Housing maint insp.					368	735	420	386	558	505	444	660	4,076
36011	Services	Energy dem. facility	341	1,747	1,420	1,065									4,573
36012		Vector-nuis. control	604	1,315	320	320	160								2,717
38110	Health Department	Southside center		1,406	1,420	1,420	1,775	1,420	1,420	355					9,216
38114		Tuberculosis Cont.		6			6								12
38115		-	-110												-110
38121		General office	78												78
38127		center - south	1,110	1,422											2,532
38140		Lab - Gen. Adm.		518	532	532	653	484	484	736	481	605	1,420	1,420	7,865
45001	E. Ret. System	Emp. Ret. Sys.							312	544	1,528	1,372	1,022	1,176	5,955

Loc ID	Department	Description	Charge in \$													
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	
52354	DPW	Trans-mapping				1,420									1,420	
52363	Infrastructure	Construction	3,791	3,760	2,840	2,840	3,550	710						2,130	19,620	
52376		Elec-street lighting	15,633	39,567	26,617	24,828	18,329	4,216	1,318						1,970	132,478
52379		Elec-traffic control	1,801	4,125	3,247	2,583	591									12,348
52382		Str-street maint.	45,740	72,610	61,229	59,543	44,882	4,123	1,791	510	-34		119	2,035	292,548	
52383		Str-bridge OPS	2,728	8,317	8,875	8,520	9,230	355							38,025	
54503		DPW	Dispatch op.	1,292	969	628										2,889
54504	Operations	Operators	2,051	3,287	2,652	2,988	2,605	1,232	185		224	559	496	512	16,791	
54513		Custodians	341	1,626	1,363	861	1,923	1,858	1,073	1,744	1,376	195			12,360	
54518		Electricians									2,840	1,420	1,775	1,420	7,455	
54521		Central district	2,983	6,982	6,351	4,576	2,766	1,420				177	236	177	25,668	
54522		South district	1,293	7,527	6,672	6,672	3,021	750				801		355	27,091	
54523		North district	3,157	4,225	3,268	2,801	1,186							2,478	17,116	
54539		Temp. Laborers	735	1,639	557	372									3,302	
54540		Pay Location 1	754	2,394	1,847	1,762	284	-1,122	-123	-478	-478	587	-84	102	5,443	
54540		-	-50		-23	-50	-50	-75	-50	-50	-50	-25	-50	-25	-498	
54541		Pay Location 2		1,412	1,412	1,410	1,736	1,383	1,422	842	628	5,739	1,246	245	17,475	
64195	DPW W-W	Distribution - north								2,846	854			3,700		
66104	DPW Parking	Parking checkers	1,069	657	-30		-15	1,923	1,297	1,355	1,297	2,474	854	10,881		
68384	Sew. M. Fund	Field operations	1,364	2,580			453	453	363	45	2,801	241		-77	8,223	
86112	Library	Personnel								82	75	21		178		
86131		Circ. public service									496	1,775		477	2,748	
86145		Forest home							440	126	251	103		921		
86147		East branch library								660	579	724	460	2,424		
86149		Villard avenue		81			385	40	14	-72	-49	62	78	31	572	
86164		Services to the blind												-1	-1	
Total			123,403	214,057	171,258	157,555	121,382	39,059	25,506	31,857	31,327	35,787	25,159	26,329	1,002,680	

Source: Joos (2008a);TALX Corporation (2008a)

Appendix D: City of Milwaukee Administrator Interview Script

Department: _____

Name of Person Being Interviewed: _____

Interviewee's Position: _____

Interviewer introduction

I'm a UW-Madison student doing a project for the City of Milwaukee on unemployment compensation cost management. Renee Joos from the Budget Office informed you that we wanted to speak to you about UC-related practices and administration in your department.

To explain where we're coming from: the budget office and DER initiated this project because they've been concerned about the growing costs of UC payments over the past five years, and asked us to both look at their current system and make recommendations for how costs can be managed better. They've given us access to the claims database maintained by TALX so we can break down the current costs and identify where they come from. But along with that data analysis, we also want to get a better understanding of how the program is managed in Milwaukee.

So we'd like to start by asking you some questions about how you go about administering UC in your department. We also got a list of claims from TALX, for employees in your department, that they say shouldn't have been paid. So we also want to ask you about those cases and see if those can help us understand how we can prevent those costs from happening in the future.

Questions

What are the main reasons for employee separations in the department? Does your department have a general policy on how separations should be conducted with regard to Unemployment Compensation? (i.e. try to incur through attrition) Does your department have a specific process for determining discharges? If so, please provide details. Is there a process specifically in place for school crossing guards? If so, please provide details.

Do you take UC eligibility costs into account in your hiring or separation decisions? (i.e. calculating costs, considering how you go about making separations)? If so, how? If not, why not?

The city has measured that seasonal and temporary employee's account for a majority of the city's UC costs. What kinds of seasonal and temporary employees

work within your department? What are the terms of their employment when they are hired? What do they do? Can you describe how much of a contributor they are to your costs or your overall number of separations?

Are any of your seasonal /temporary employees covered by union contracts?

Do you have practices for trying to minimize your number of temporary or seasonal hires/ separations?

Have you looked at ways to more effectively deploy these employees on a regular basis? [We have been told that DPW does some cross-training]. Have they been successful? Do you have any benchmarks or metrics in this area?

Do you use, or have you considered using cross-training in relation to seasonal employees? Contracting out? Using temporary help agencies? Why/Why not? If you have, what have been the outcomes? Have you been satisfied with the outcomes? Please provide any data that may illustrate the effectiveness of your cross-training efforts.

Are there practices related to separations that you use in relation to trying to control UC costs for other employees? Have they been successful? Benchmarks or metrics?

Who is responsible for UC-related administrative tasks within your Department? Processing claims? Verifying eligibility and wages? Acting as a liaison with TALX?

How has UC administration changed under Milwaukee's contract with TALX? How has your role changed? Are there ways in which you think the contract has improved UC administration? Or weakened it?

How do you ensure timely submission of program documents? Have you had any challenges in this area? What are the major reasons for missed deadlines or delayed document submissions? Are there approaches or initiatives you've used to improve your submission processes?

As I understand it, TALX flags claims filed against the city that they believe may be inaccurate or inappropriate, and then contacts the employee's department to see if they want to challenge. Can you describe the way in which you go about responding to those contacts?

How do you go about making decisions whether to challenge? Who is involved, what are their roles?

What are your considerations in deciding whether or not to go ahead with a challenge?

How do you prepare and collect documentation that will be relevant to challenging a claim? Have you had any problems in terms of having the documentation you

need for a successful challenge? Has it ever dissuaded you from making a challenge?

Are there approaches you take to ensure the availability and accuracy of your documentation—in regard to the UC program, or more broadly?

How often are your challenges unsuccessful? In your experience, what are the major causes of unsuccessful challenges? Other than documentation issues, how have you tried to improve the success of your challenges?

TALX will contact you again to see if you want to appeal a state determination that a claim you challenge should be paid. Can you describe the way in which you go about responding to those contacts?

- How do you go about making decisions whether to appeal? Who is involved, what are their roles?
- What are your considerations in deciding whether or not to go ahead with an appeal?

How do you go about preparing for an appeal—gathering evidence, identifying and selecting witnesses?

How often have your appeals been successful? What are the major reasons for successful or unsuccessful appeals?

Did you or anyone else in your department attend the UC training in the last quarter of 2006 put on by the Department of Employee Relations?

Do you or does anyone else in your department regularly check the TALX system to keep track of your department's UC costs?

Appendix E: Methodology for Selecting Comparable Cities

Section III places Milwaukee's UC costs and activities in context by comparing those characteristics with similar city governments. We selected four standards of comparability, for reasons described in the text: 1) Population, 2) Climate, 3) Unionization, and 4) Program law.

We then established metrics for identifying comparability within each standard.

1. To measure population, we used U.S. Census data, which placed Milwaukee's population at 573,358 (U.S. Census Bureau, n.d.) We also took into account the Milwaukee Comptroller's Office approach to identifying population-based comparable cities for its Comparative Expenditure Report, as described below.
2. We used historical measurements of average annual municipal snowfall, as published by the National Oceanic and Atmospheric Administration (Northeast Regional Climate Center, 2000; City-data.com, n.d.), to measure climate. Milwaukee's annual snowfall has averaged 47.1 inches over the past six decades.
3. We obtained measurements of union coverage among public employees by combined statistical area from the U.S. Census Current Population Survey, which places Milwaukee's coverage rate at 62.1 percent (Hirsch and Macpherson, 2008). This is an imprecise measurement for the present purposes. The figures include employment at other levels of government and in other municipal governments within a city's metro area, and so do not measure unionization within applicable city governments per se. However, they are the most precise union coverage data available.
4. All other municipalities in Wisconsin operate under identical program law, and carry no concerns of incomparability regarding its effects.

We selected comparables by identifying three to four cities based on each metric that also satisfied minimal standards of comparability on other metrics.

Program law

We selected the Wisconsin cities with the largest populations after Milwaukee to obtain cities comparable in terms of program law. Both responded to our inquiry.

1. Madison
2. Green Bay

No other Wisconsin city has a population greater than 100,000, and we judged that cities with lower populations could not be considered minimally comparable on that standard. Table 6 in the text shows that both cities selected are also comparable in terms of average snowfall and union coverage.

For the three quantitative metrics, we identified cities with measurements closest to those identified for Milwaukee whose measurements on the other two quantitative metrics also landed within a general range surrounding Milwaukee's.

Population

In addition to straightforward measures of population, our selection of cities based on population took into account cities' status as part of their general urban areas, an issue raised by the Milwaukee's Office of the Comptroller in its annual reports on Comparative Expenditures (Morics, 2007). The reports use population as their basis for selecting comparable cities, but do not simply select cities with the closest absolute populations. Rather, they identify all cities with population between 300,000 and 900,000 and select comparable cities as those whose ratios of metropolitan population to combined statistical area population most closely matched Milwaukee's ratio of 36 percent. This method takes into account absolute population, but also ensures the selections are comparable in their status as "population centers" for the area (Morics, 2007). This broader perspective also supports the reports' decision to avoid selecting governments that perform both city and county functions.

We followed the reports' selection mechanism here, focusing on the "snowbelt" cities they identify to ensure comparability in terms of climate. Of those cities with ratios close to those of Milwaukee, one responded to our inquiries.

1. Pittsburgh, PA

Unionization

Using the Comptroller Reports' range of 300,000 to 900,000 populations and average annual snowfall of 25 inches as minimum standards, we identified cities with unionization levels closest to Milwaukee's 62.1 percent. Two of those cities responded to our inquiries.

1. Boston, MA
2. Minneapolis, MN

Climate

Using the minimum numbers in the previous two sections, of 300,000 to 900,000 population, and unionization levels within ten percentage points of Milwaukee's, and annual snowfall levels of at least 30 inches failed to identify cities that were not already selected. Relaxing the assumptions to include cities with lower populations and unionization levels more distant from Milwaukee's identified new cities, of which one responded to our inquiries.

1. Des Moines, IA

Our approach established a sample of cities closely comparable on at least one standard and minimally comparable across most or all. This ensured that although several cities contacted did not respond to our inquiries, the cities that did respond maintain comparability across standards. Table 6 in the text summarizes each participating city's performance on the metrics.

Appendix F: Comparable Cities Interview Script

The following document was sent to contacts in comparable cities who requested to respond by email. Responses obtained by phone interview were conducted using an identical list of questions.

Interviewer introduction

I am working with the City of Milwaukee's Department of Management and Budget on a research project to improve cost control and management of unemployment compensation (UC) payments. My research group has identified your city as comparable to Milwaukee in ways that may be relevant to unemployment cost management, including population, climate, and relatively high levels of public employee unionization.

Below is a list of questions regarding issues with unemployment cost management in which Milwaukee may be able to learn from comparable cities such as yours. We would very much appreciate you filling out these questions to the best of your ability. We are particularly interested in information that could help us identify benchmarks or best practices for improving Milwaukee's UC management going forward.

We intend to use the information you provide us in the paper we produce, and cite our communications with you as a source. The paper will be publicly released and posted on the website of the UW-Madison La Follette School of Public Affairs, our public policy masters' degree program. In appreciation for your help, we will fully share our findings with you, including the paper itself and the source information we gather from Milwaukee and other cities. We also promise that if we would like to directly attribute any quotes or statements of fact to you in our paper, we will clear them with you ahead of time. If you have any concerns with this arrangement, please note them below. We will be happy to work with you to ensure arrangements to your satisfaction.

Questions

General Information

Total number of workers employed by city:

Total cost of UC payments in 2007:

What has been the trend in your costs over the past five years? Would you be able to provide year-by-year costs going back to 2003?

2003: ____ 2004: ____ 2005: ____ 2006: ____ 2007: ____

How many claimants has the city made these payments towards? Do you have data on costs per claimant, or costs per city employee?

What would you describe as the primary cost drivers of your program?

a) Particular departments? b) Types of employees? c) Causes of separation?

You're a "snowbelt" city, like Milwaukee. Do you have a large seasonal workforce? Or temporary workforce more generally? Is that a major driver of the number of separations

Can you describe the nature of your seasonal and temporary workforce? In what departments are they located? What do they do? If there are sources for obtaining data on these figures, please let us know where we can find it.

Do you consider seasonal/temporary employee separations an important driver of UC costs? Why or why not? Can you describe how much of a contributor they are to your costs?

Can you describe the state UC program laws relating to seasonal and temporary employees? Are there any aspects of the law that significantly affect your use of these employees, or the costs they incur?

Milwaukee knows that a majority of its UC costs come through seasonal separations. So a big goal of our project is looking at ways in which those separations could be minimized, or otherwise done in a way that can better minimize unemployment costs. Do you have practices for minimizing seasonal separations? Do you try to control UC costs related to seasonal employees in specific ways? Have they been successful? Do you have any benchmarks or metrics in this area.

Do you use, or have you considered using cross-training in relation to seasonal employees? Contracting out? Using temporary help agencies? If so, have you been satisfied with the results? Please provide any data that may illustrate the effectiveness of your cross-training efforts.

Are there practices related to separations that you use in relation to trying to control UC costs for other employees? Have they been successful? Benchmarks or metrics?

Now I'd like to talk about your city's management of UC claims and challenges.

We've talked about how UC costs are budgeted already, but how is claim administration handled within the city? Who is responsible for processing claims? Verifying eligibility and wages? Making challenges?

How many employees are assigned wholly or mostly to UC administration?

Milwaukee contracts with the TALX company for claims administration. Does your city contract? If so, why did you decide to contract? What responsibilities does the contractor undertake? How would you describe the city's relationship with the contractor in going through the claims administration process?

[If you have contracted] How has program administration changed with your use of the contractor? Have they improved program administration? How? Have you found other advantages or disadvantages to using a contractor?

[If you have not contracted] Is contracting something your city has ever considered? Why or why not?

Have you done any quantitative analysis to identify and assess these cost drivers?

Would you be able to provide any specific data on the relative contribution of the major drivers?

State unemployment compensation laws can vary. Are there important aspects of your state's program law that we should generally know about, coming from a different state?

Are there aspects of your state program that have an important influence on costs or cost drivers? On claims administration issues, like processing or challenges and appeals?

How do you make UC payments to the state? Reimbursement, tax contribution? Why do you use the method that you do? Were you able to choose it?

In Milwaukee, UC costs for all city departments and employees are paid out of a fund maintained by the Department of Employee Relations. How do you budget your costs? Do you have a similarly centralized system, or do you give responsibilities to individual departments?

If the latter, how are responsibilities for budgeting divided between departments and the central body?

Do you think there are advantages or disadvantages to the way you budget these costs? [If it's centralized,] do you have any concerns about department's taking responsibility for their costs?

How do you promote departmental responsibility for dealing with costs?

Now I'd like to ask you about your city's separation practices.

What are the main reasons for employee separations in your city? Does the city, or particular departments, have general policy on how separations should be conducted? (i.e. try to incur through attrition)

Do unemployment compensation costs enter in to the city's consideration of separation practices? For example, are associated UC costs considered in decisions to pursue layoffs?

How do you ensure timely submission of program documents? Have you had any challenges in this area? Are there approaches or initiatives you've used to encourage timely submission? Do you have TALX data on timeliness of submission?

Can you describe the process by which the city decides to challenge a claim and proceed to go through the challenge process, for ineligible claimants or inaccurate reports? Which departments/actors are responsible for elements in the process? How often do you protest? Do you maintain TALX data on frequency of protests?

Do you feel like the people responsible for challenging a claim are generally prepared and willing to do so? Have you had any problems with disinterest in challenging claims that should be challenged?

How do you prepare and collect documentation relevant to challenging a claim? Have you had any problems in terms of having the documentation you need for a successful challenge? Or in terms of accuracy of documentation?

Are there approaches you take to ensure the availability and accuracy of your documentation- in regard to the UC program, or more broadly?

How often are your challenges successful? Do you have measures of this success rate- i.e. TALX data? Do you think your success rate is satisfactory?

What are the primary reasons, in your experience, for unsuccessful challenges? Are they remediable?

How often do you appeal unfavorable rulings on challenges? Have you measured that?

How often are your appeals successful? (Again, TALX data?) Do you think your success rate is satisfactory?

Have you estimated the amount of "avoidable costs" that come from the issues you've just discussed?

In the aggregate, what are the major sources of your avoidable costs?

Do you think your level of avoidable costs is acceptable? Could it be improved?
Do you have benchmarks or metrics for judging this?

Do you have initiatives/approaches to controlling avoidable costs? Are the efforts you've made in terms of documentation, challenges, timely submission part of that? Are there other initiatives?

I've just got a few more general questions to tie together our discussion

Do you think your overall costs are too high, fairly low, moderate? Do you think they could be better controlled? How?

Do you have benchmarks or metrics for evaluating the performance of the program in general- in terms of overall costs, for example?

Are there other initiatives that you've undertaken to control program costs?

Does this unionization affect program administration at all? In terms of the way you manage separations or claims, or your efforts to control costs?

If you were to give advice to a generic UC manager on how best to control UC program costs, what would you say to them? Is there anything you think is important to discuss about the UC program or management in your city that we haven't covered?

Appendix G: Comparable Cities Interview Script (Condensed)

Contacts in some comparable cities indicated that time and/or information constraints made it difficult for them to reply to the full survey we provided (Appendix F). We offered a condensed questionnaire to those contacts, focused on benchmarks, best practices, and key descriptive data concerning costs, budgeting practices, and seasonal employee management. One city elected to respond to these questions in lieu of the full survey. Another seven cities chose not to respond to either survey and were dropped from our sample.

What were your UC costs paid in 2007? If it's not burdensome for you, please provide costs going back to 2003. _____

How many employees currently work in your city? _____

Please provide a general description of the major cost drivers of your program-specific departments, employee classifications, or separation procedures that account for notable proportions of those total costs.

Please provide a general description of how UC costs are budgeted in the city, specifically in regards to the breakdown in responsibility between individual departments and central funds/agencies. _____

Please describe any initiatives you've used (cross-training, contracting, etc.) to minimize seasonal employee separations, better deploy your seasonal workforce over the course of the calendar year, and/or control associated UC costs.

Please provide a general description of the city's process for processing and challenging claims (who is responsible for various aspects of the process, documentation used). _____

Do you use any benchmarks or metrics for judging your performance in regards to UC costs and management? If so, please describe those metrics and how they are used in day-to-day UC management. _____

What suggestions would you have, in relation to the above questions or otherwise, for a comparable city looking to improve management and cost control of its UC payments? _____