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June 17, 2021

The Honorable Martin J. Walsh
Secretary, United States Department of Labor

Management Report: Preliminary Information on Potential Racial and Ethnic Disparities in the Receipt of Unemployment Insurance Benefits during the COVID-19 Pandemic

Dear Secretary Walsh:

The unemployment insurance (UI) system provides a vital safety net for individuals who become unemployed through no fault of their own, and this support is essential during widespread economic downturns. States design and administer their own UI programs within federal parameters, and the Department of Labor (DOL) oversees states' compliance with federal requirements, such as by ensuring states pay benefits when they are due. During the pandemic, the CARES Act supplemented the regular UI program by creating three federally funded temporary UI programs that expanded benefit eligibility and enhanced benefits.¹ These three programs—Pandemic Unemployment Assistance (PUA), Federal Pandemic Unemployment Compensation (FPUC), and Pandemic Emergency Unemployment Compensation (PEUC)—are set to expire on September 6, 2021.² We are currently conducting several ongoing reviews of these programs and will issue reports in the coming months.³

The purpose of this report is to inform DOL about potential racial and ethnic disparities in the receipt of UI benefits, which we have identified in our preliminary data analysis for our ongoing work. According to DOL, ensuring equitable access to UI benefits is a top priority for the agency, and in March 2021, Congress appropriated \$2 billion to DOL to promote equitable access to UI benefits, among other purposes.⁴ We recognize that the complexity of these issues may take

¹These programs were amended by the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021.

²PUA, which is generally available through September 6, 2021, generally authorizes up to 79 weeks of UI benefits to individuals not otherwise eligible for UI benefits, such as self-employed and certain gig economy workers, who are unable to work as a result of specified Coronavirus Disease 2019 (COVID-19) reasons. FPUC generally authorized an additional \$600 weekly benefit through July 2020, and authorizes a \$300 benefit for weeks beginning after December 26, 2020, and ending on or before September 6, 2021, for individuals eligible for weekly benefits under the regular UI and CARES Act UI programs. PEUC, which is generally available through September 6, 2021, generally authorizes an additional 53 weeks of UI benefits to those who exhaust their regular UI benefits. At least 25 states, as of June 1, 2021, have announced that they will terminate participation in pandemic UI programs prior to their September 2021 expiration dates.

³We are conducting these reviews under the CARES Act, which includes a provision for GAO to report on its ongoing monitoring and oversight efforts related to the COVID-19 pandemic. Pub. L. No. 116-136, § 19010, 134 Stat. 281, 579-81 (2020).

⁴The American Rescue Plan Act of 2021 appropriated \$2 billion to DOL to detect and prevent fraud, promote equitable access, and ensure the timely payment of benefits in UI programs, including the CARES Act UI programs. Pub. L. No. 117-2, § 9032, 135 Stat. 4, 121.

time to examine in depth. However, given that PUA and the other temporary UI programs are scheduled to expire in September 2021, we are sharing this preliminary information for DOL to consider in determining whether it needs to engage with states at this point to ensure equitable access to the UI system.

Specifically, as part of our ongoing work on the various UI programs during the pandemic, we analyzed data from the U.S. Census Bureau's (Census) COVID-19 Household Pulse Survey (Household Pulse Survey), phase 3.⁵ The phase 3 survey asked respondents whether they had applied for UI benefits since March 13, 2020, and if so, whether they had received UI benefits. Because the questions refer broadly to UI benefits, they likely cover regular UI, PUA, and the other temporary UI programs. To determine whether there were differences in the receipt of benefits by race and ethnicity, we calculated the percentage of UI applicants who reported receiving UI benefits by racial and ethnic group, and tested differences for statistical significance.⁶ We determined these survey data are sufficiently reliable for the purpose of identifying preliminary information for DOL's consideration.⁷ In addition, as part of our ongoing review of the PUA program, we obtained data from five selected states on: (1) the number of unique individuals by race and ethnicity who received PUA benefits at any time during 2020, and (2) the number of individuals by race and ethnicity who submitted initial claims for PUA in 2020.⁸ We used these states' data to calculate the percentage of PUA claimants who received benefits by racial and ethnic group. We are in the process of assessing the reliability of these states' data, but we determined that the data used in this report are sufficiently reliable for the purpose of identifying preliminary information for DOL's consideration.⁹ Our ongoing work is being conducted in accordance with generally accepted government auditing standards.

According to our analysis of data from the Household Pulse Survey, nationwide, a higher percentage of White applicants reported receiving benefits from UI programs during the

⁵The Household Pulse Survey, an experimental data product, is an interagency federal statistical rapid response survey to measure household experiences during the COVID-19 pandemic. The survey is conducted by Census in partnership with seven other agencies from the Federal Statistical System. Phase 3 surveys were conducted on a biweekly basis from October 28, 2020, through March 29, 2021 (a total of 10 surveys). National level weighted response rates for the phase 3 biweekly surveys ranged from 5.3 to 7.5 percent. For example, for the final phase 3 survey (week 27), 1,040,111 housing units were randomly sampled and 77,104 respondents answered the survey questionnaire (the national level weighted response rate was 7.2 percent). In March 2021, Census published the results of a nonresponse bias analysis that identified evidence of response patterns that could result in biased estimates. The report also concluded that Census found evidence that its adjusted sampling weights help mitigate, though may not completely eliminate, nonresponse bias in the final survey estimates. U.S. Census Bureau, *Nonresponse Bias Report for the 2020 Household Pulse Survey* (March 24, 2021).

⁶For this analysis, we created a combined race/ethnicity variable using the "race" and "hispanic" variables in the Household Pulse Survey. Our combined variable had the following values: Asian, non-Hispanic/Latino; Black, non-Hispanic/Latino; Hispanic or Latino (any race or multiple races); White, non-Hispanic/Latino; Other or multiple races, non-Hispanic/Latino.

⁷We assessed the reliability of these data by reviewing survey documentation, Census reports on the survey data's accuracy and potential nonresponse bias in the data, and written responses to questions we sent to Census.

⁸Our ongoing review of the PUA program is examining how states' implementation of the PUA program has varied, how the pandemic has affected contingent workers in selected states, and how the PUA program has assisted those workers. We selected five states to include variety across several characteristics, including the volume of PUA claims, the timing of PUA implementation, and the percentage of the overall workforce that is self-employed.

⁹We have assessed the reliability of these data by interviewing knowledgeable state officials and conducting manual testing to check for logical errors, and we have sent some related follow-up questions to state officials. Although these efforts are ongoing, the time-sensitive nature of this issue warranted sharing our preliminary results with DOL.

pandemic than certain other racial and ethnic groups. For example, among the most recent phase 3 survey respondents, 80.2 percent of White, non-Hispanic/Latino UI applicants reported receiving UI benefits, as compared to 73.0 percent of Black, non-Hispanic/Latino applicants (see table 1).¹⁰ We did not control for other characteristics that could be correlated with race/ethnicity and receipt of UI benefits, such as education or occupation, and we cannot determine the cause of differences between groups. Various factors could explain these differences, such as differences in UI eligibility that may be correlated with race and ethnicity. For example, according to DOL, claimants' attachment to the workforce can affect their eligibility for regular UI benefits; thus, if certain racial and ethnic groups tend to have less continuous employment than other groups, they might receive regular UI benefits at lower rates.¹¹ However, another potential explanation for the disparities we identified is that states could be approving or processing UI claims differently for applicants in different racial and ethnic groups.¹² Although we cannot determine causality, these possible explanations provide context for DOL to consider in determining whether to engage with states to ensure equitable access to the UI system.

Table 1: Percent of UI Applicants Who Reported Receiving UI Benefits at Any Time from March 2020 through March 2021, by Race and Ethnicity

Racial/ethnic group	Percent of UI applicants who reported receiving UI benefits	Difference compared to White, non-Hispanic/Latino significant at p<.05
White, non-Hispanic/Latino	80.2 (+/- 1.9)	N/A
Asian, non-Hispanic/Latino	79.1 (+/- 5.0)	No
Hispanic or Latino (any race or multiple races)	77.4 (+/- 3.9)	No
Black, non-Hispanic/Latino	73.0 (+/- 4.8)	Yes
Other or multiple races, non-Hispanic/Latino	71.0 (+/- 6.5)	Yes

Source: GAO analysis of data from the U.S. Census Bureau's COVID-19 Household Pulse Survey, phase 3, week 27. | GAO-21-599R

Notes: Confidence intervals at the 95 percent level are shown in parentheses. The week 27 survey collected data from March 17, 2021, through March 29, 2021. The relevant survey questions asked respondents whether they applied for and received UI benefits since March 13, 2020.

¹⁰The percentages represent responses to the final phase 3 survey (week 27), which collected data from March 17, 2021 through March 29, 2021. The difference in the rate of reported UI benefit receipt is statistically significant at the 95 percent confidence level. We also examined responses from each of the 10 phase 3 surveys (weeks 18-27). We found that applicants in the following racial and ethnic groups reported receiving UI benefits at a lower rate than White, non-Hispanic/Latino applicants, and these differences were statistically significant in multiple surveys: 1) Black, non-Hispanic/Latino UI applicants (this difference was statistically significant in 8 of the 10 phase 3 surveys); 2) Hispanic or Latino UI applicants (this difference was statistically significant in 2 of the 10 surveys); 3) Other or multiple races, non-Hispanic/Latino UI applicants (this difference was statistically significant in 4 of the 10 surveys). In all remaining surveys, each of these groups reported receiving benefits at a lower rate than White, non-Hispanic/Latino applicants, but the differences were not statistically significant.

¹¹According to DOL, to be eligible for regular UI benefits, jobless workers must demonstrate, among other things, workforce attachment, which is usually measured by amount of wages and/or weeks of work. U.S. Department of Labor, *Unemployment Compensation: Federal-State Partnership*, May 2019. PUA eligibility requirements differ from regular UI. Because the questions in the Household Pulse Survey refer broadly to UI benefits, they likely include applicants for regular UI and PUA benefits.

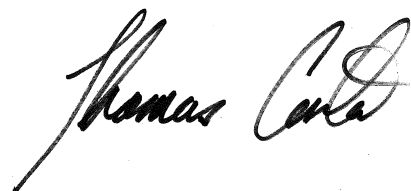
¹²Because of how the survey questions were asked, differences in rates of UI benefit receipt could be due to differences in claim approval rates or delays in payments. For example, all groups' claims may have been approved at similar rates, but certain groups may have had to wait longer to receive payments or may have had their claims approved more recently and thus were still waiting to receive benefits.

In addition to our findings from the Household Pulse Survey, our preliminary analysis of data obtained from the five selected states in our ongoing review of the PUA program identified some racial and ethnic disparities in the receipt of PUA benefits.¹³ In two of the five states, the percentage of White PUA claimants who received benefits in 2020 was considerably higher than the percentage of Black PUA claimants who received benefits that year (both groups consist of non-Hispanic/Latino claimants).¹⁴ In one of these states, the percentage of White, non-Hispanic/Latino PUA claimants who received benefits in 2020 was also considerably higher than the percentage of Hispanic or Latino PUA claimants (of any race) who received benefits that year. This analysis of state-provided data is preliminary, and we are continuing to explore these issues with the selected states, including potential reasons for the disparities and the reliability of these data.¹⁵ We plan to report on the PUA program in more detail in early 2022.

This report is intended for use by the management of the Department of Labor. We are sending copies to interested congressional committees and members, and other interested parties. In addition, the report is available on the GAO website at <http://www.gao.gov>.

If you have any questions about this report or need assistance in addressing these issues, please contact Thomas M. Costa, Acting Director, at (202) 512-7215 or costat@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. In addition to the contact named above, the following individuals made major contributions to this report: Nagla'a El-Hodiri (Assistant Director), Michael Kniss (Analyst-in-Charge), Caitlin Croake, Justin Fisher, Alex Galuten, Abigail Loxton, and Walter Vance.

Sincerely yours,



Thomas M. Costa
Acting Director
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¹³Unlike the Household Pulse Survey, the state data is aggregated population data and has no margin of error associated with it.

¹⁴Among the three remaining states, for one state our preliminary analysis did not observe such large disparities in the receipt of PUA benefits, and for the other two states we had significant data reliability questions that we are following up on.

¹⁵As noted above, various factors could explain these disparities, such as differences in PUA eligibility that may be correlated with race and ethnicity, or differences in how states are approving or processing PUA claims for applicants in different racial and ethnic groups. These disparities in the receipt of PUA benefits could also reflect fraudulent claims. For example, in a given state, the individuals who submitted fraudulent PUA claims could have disproportionately used identities stolen from Black or Hispanic/Latino individuals relative to that state's PUA applicants. To the extent that states identified these claims as fraudulent and denied them, it could appear as though Black or Hispanic/Latino applicants received PUA benefits at a lower rate.