UNEMPLOYMENT INSURANCE

Pandemic Programs Posed Challenges, and DOL Could Better Address Customer Service and Emergency Planning
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What GAO Found

State officials GAO interviewed in six selected states that varied across characteristics, such as IT modernization, described facing shortages of experienced staff and IT challenges in processing the surge in claims while implementing the CARES Act Unemployment Insurance (UI) programs. Challenges in implementing federal guidance and maintaining program integrity were also cited. Officials in all of the six states reported that they increased staffing. States also added functionality to their IT systems. Despite these efforts to respond to the challenges, claimants in GAO’s discussion groups and advocates in the six states reported persistent customer service problems, such as long call wait times.

The 30 empirical studies reviewed by GAO showed the effect of the expansion of UI programs during adverse times, such as the 2007-2009 recession and the COVID-19 pandemic. The expansions specifically helped to stabilize the economy, prevented detrimental outcomes from worsening, and had a limited effect on workers’ incentives to return to work. Some of the studies also showed that UI expansion had other positive benefits such as an improved labor market.

Why GAO Did This Study

In the wake of the COVID-19 pandemic and subsequent shutdowns, the nation experienced historic levels of job loss and an expansion of the UI system. The CARES Act created three new, federally funded temporary UI programs that expanded eligibility, enhanced benefits, and extended benefit duration. DOL has reported about $658 billion in compensation paid as of April 30, 2022.

The CARES Act includes a provision for GAO to monitor federal efforts in response to the COVID-19 pandemic. This report examines (1) selected states’ challenges with implementing the temporary UI programs and efforts to address those challenges; (2) DOL’s support and monitoring of the programs, including efforts to address improper payments; and (3) the economic effects of expanding UI benefits in adverse times.

GAO interviewed DOL officials and met with officials in six states that were selected to include a variety of characteristics, such as their IT modernization, payment timeliness, and estimated improper payment rates. GAO held discussion groups with UI recipients in the selected six states; analyzed data DOL collects from states; reviewed relevant federal laws and program guidance; and reviewed economic literature.

What GAO Recommends

GAO is making two recommendations to DOL to identify and provide UI customer service best practices and assess lessons learned from the pandemic. DOL partially agreed with the first recommendation, and agreed with the second, and noted plans to address them.

View GAO-22-104251. For more information, contact Thomas Costa, 202-512-4769, costat@gao.gov

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Abbreviations

BAM  Benefit Accuracy Measurement System
DOL  Department of Labor
DUA  Disaster Unemployment Assistance
ETA  Employment and Training Administration
FPUC Federal Pandemic Unemployment Compensation
IDH  Integrity Data Hub
IP  Internet Protocol
NASWA National Association of State Workforce Agencies
OIG  Office of Inspector General
OMB  Office of Management and Budget
PEUC  Pandemic Emergency Unemployment Compensation
PUA  Pandemic Unemployment Assistance
UI  Unemployment Insurance
UIPL Unemployment Insurance Program Letter

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June 7, 2022

Congressional Requesters

Following the emergence of the COVID-19 pandemic in the United States in early 2020, and related public health measures taken to contain and mitigate its transmission, the nation experienced historic levels of job loss and an expansion of the unemployment insurance (UI) system. The CARES Act, enacted on March 27, 2020, created three new federally funded temporary UI programs that expanded UI benefit eligibility, enhanced benefits, and extended benefit duration.¹ The temporary programs supplemented the existing UI program, known as “regular” UI, which is a federal-state partnership that provides temporary financial assistance to eligible workers who become unemployed through no fault of their own.² The federal government funded the administration of and benefits for the new programs and relied on states to determine claimants’ eligibility, process claims, and issue benefits to individuals. The Department of Labor (DOL) has reported about $658 billion in compensation paid under the CARES Act UI programs as of April 30, 2022.³

The CARES Act included a provision for GAO to conduct monitoring and oversight of the use of funds made available to prepare for, respond to, and recover from the COVID-19 pandemic.⁴ This report examines: (1) challenges selected states reported in implementing the CARES Act UI programs, and actions they took to address those challenges; (2) how


²In this report, we refer to the UI program—excluding the temporary UI programs created by the CARES Act and other legislation—as the regular UI program and the benefits paid under the program as regular UI benefits.


DOL supported and monitored states’ implementation of the CARES Act UI programs, including detection and prevention of improper payments; and (3) what is known about the economic effects of the expansion of UI benefits for individuals and the economy during adverse times.

For our first two objectives, we reviewed relevant federal laws, regulations, and guidance, and interviewed officials from DOL and its Office of Inspector General (OIG). We also interviewed officials from the National Association of State Workforce Agencies (NASWA), which represents state UI agencies. We selected six states (Arizona, Florida, Massachusetts, Michigan, Minnesota, and Wyoming) to reflect diverse conditions based on a range of characteristics, including average unemployment rate; COVID-19 cases per capita; varying stages of UI agency IT modernization; the reported estimated improper payment rate; and timeliness of benefit payments in the regular UI program. For all six states, we interviewed state UI agency officials, and in five of those states, we interviewed advocates for UI claimants and state attorney general officials. For Arizona and Florida, we interviewed advocates for Spanish-speaking UI claimants about those claimants’ experiences in applying for and receiving benefits. Additionally, we conducted 12 virtual discussion groups (two in each of the six states) in May and June 2021 with individuals who had received UI benefits in the six selected states to understand participants’ experiences with applying for and receiving benefits, and with contacting state UI agencies for customer service regarding their claims. Discussion group results are not generalizable to UI recipient experiences in the six states or nationwide; however, the results provide insights about the experiences of some UI recipients. Appendix II provides a description of the characteristics of the participants in our 12 discussion groups. Additionally, we analyzed data on payment timeliness and claims for selected states. We conducted a reliability assessment for all of the data elements used in our study and determined that data were sufficiently reliable for the purposes of this report.

To address our third objective, we conducted a literature review to identify key government, industry, and academic studies examining the effects of expanded UI benefits for individuals and the economy during adverse times.

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5We were unable to identify an advocate for UI claimants in Wyoming, and we did not interview officials of the Minnesota Office of Attorney General. According to officials of Minnesota’s unemployment insurance agency, the state attorney general plays no role in prosecuting UI fraud, the Bureau of Criminal Apprehension, within the Department of Public Safety, can issue arrest warrants when the state unemployment insurance agency identifies fraud, and prosecutions are conducted by district attorneys at the county level.
times. We searched relevant databases, such as ProQuest, ECONlit, Scopus, and Dialog to identify scholarly and peer-reviewed research, working papers, government reports, trade and industry articles, as well as association and non-profit publications published in the last 20 years. From our initial search that yielded over 500 articles, we identified 65 for further in-depth review based on our criteria, such as academic publication, data analysis, and focus on the United States as the country of analysis. After the in-depth review, we determined that 30 studies fulfilled our criteria for inclusion in our literature review. These in-depth reviews entailed an assessment of each study’s research methodology, including its data quality, research design, and analytic techniques, as well as a summary of each study’s major findings and conclusions. We also assessed the extent to which each study’s data and methods supported its findings and conclusions. We based our data collection and assessment on generally accepted social science standards.

Appendix I provides a more detailed discussion of the objectives, scope, and methodology of our review. Appendix IV provides detailed information about the studies we reviewed, and appendix V provides the bibliography.

We conducted this performance audit from March 2020 to June 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The CARES Act created three new federally funded temporary UI programs that expanded UI benefit eligibility and enhanced benefits.6 These programs were subsequently extended and amended by the Consolidated Appropriations Act, 2021, as well as the American Rescue Plan Act of 2021, and expired in September 2021.7 However, 24 states

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6Pub. L. No. 116-136, §§ 2102, 2104, 2107, 134 Stat. 281, 313-28. The CARES Act also addressed other elements of the unemployment insurance system. For example, the act also authorized certain flexibilities for states to hire additional staff and to participate in Short-Time Compensation programs, which allow workers to work reduced hours while receiving partial pay and partial UI benefits.

ended their participation in at least one of these programs before the programs expired in September 2021. These temporary UI programs were:

1. Pandemic Unemployment Assistance (PUA), which was generally available through September 6, 2021, and authorized UI benefits to individuals not otherwise eligible for UI benefits, such as the self-employed and certain gig economy workers, who were unable to work as a result of specified COVID-19 reasons;\(^8\)

2. Federal Pandemic Unemployment Compensation (FPUC), which generally authorized an additional $600 weekly benefit through July 2020, and generally authorized a $300 weekly benefit for weeks beginning after December 26, 2020 and ending on or before September 6, 2021, for individuals eligible for weekly UI benefits available under the regular UI program and CARES Act UI programs;\(^9\) and

3. Pandemic Emergency Unemployment Compensation (PEUC), which was generally available through September 6, 2021, and generally authorized additional weeks of UI benefits for those who had exhausted their regular UI benefits.\(^10\)

In addition, the Consolidated Appropriations Act, 2021 created the Mixed Earner Unemployment Compensation (MEUC) program, which was

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\(^8\)Pub. L. No. 116-136, § 2102, 134 Stat. at 313, as amended. In order for applicants to potentially qualify for PUA benefits, states first had to determine that applicants were ineligible for regular UI benefits. In cases where an individual’s eligibility for regular UI was questionable, states had to require the individual to file a regular UI claim before applying for PUA. Historically, self-employed and similarly situated workers have not been eligible for unemployment insurance, except through a program that provides coverage for such workers following major disasters. The Disaster Unemployment Assistance program, the regulations for which generally applied to Pandemic Unemployment Assistance, provides unemployment benefits and reemployment assistance to individuals who have become unemployed as a result of a major disaster and who are not eligible for any other unemployment insurance. 42 U.S.C. § 5177.


\(^10\)Pub. L. No. 116-136, § 2107, 134 Stat. at 323, as amended. In addition to the CARES Act UI programs, on August 8, 2020, the President signed a memorandum directing the Department of Homeland Security’s Federal Emergency Management Agency to provide up to $44 billion in lost wages assistance. Pursuant to the presidential memorandum, upon receiving a grant, states and territories could provide eligible claimants $300 or $400 per week—which included a $300 federal contribution—in addition to their UI benefits. The White House, Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019 (Washington, D.C.: Aug. 8, 2020).
extended by the American Rescue Plan Act of 2021 and expired in September 2021.\textsuperscript{11} According to DOL, the MEUC program was intended to cover regular UI recipients whose benefits did not account for significant self-employment income and who thus may have received a lower regular UI benefit than they would have received had they been eligible for PUA.\textsuperscript{12} Appendix III provides a timeline of selected events from January 2020 to December 2021, including enactment, extension, and expiration of key programs; issuance of selected DOL guidance documents; and selected dates related to program integrity activities.

The COVID-19 pandemic was not the first time that temporary, federally funded UI programs were used to supplement the regular UI program in response to an emergency. Specifically, during the Great Recession of 2007-2009, temporary, federally funded UI programs included a supplemental weekly benefit amount as well as a program that extended benefit duration. The CARES Act UI programs have exceeded the cost of the temporary programs enacted during the Great Recession, reflecting the scale of the underlying job loss and economic contraction.\textsuperscript{13} In addition, the PUA program was the first nationwide unemployment program that included contingent and similarly-situated workers.\textsuperscript{14} According to DOL officials, the CARES Act UI programs also represent

\textsuperscript{11}The MEUC program, which was voluntary for states, authorized an additional $100 weekly benefit for certain UI claimants who received at least $5,000 of self-employment income in the most recent tax year prior to their application for UI benefits. Pub. L. No. 117-2, § 9013(a), 135 Stat. 4, 119; Pub. L. No. 116-260, div. N, tit. II, § 261(a)(1), 134 Stat. 1182, 1961.

\textsuperscript{12}According to DOL, 51 states and territories elected to participate in the MEUC program, with Idaho and South Dakota opting not to participate, but 23 states terminated their participation in June or July 2021. The remaining 28 states and territories continued participating in the MEUC program until it expired in September 2021, including Maryland, which intended to terminate participation but did not because of litigation at the state level, according to DOL. As of February 7, 2022, not all participating states and territories had begun paying MEUC benefits, according to DOL.

\textsuperscript{13}The Congressional Budget Office estimated that the total cost of temporary unemployment insurance programs enacted during the Great Recession was $520 billion. Congressional Budget Office, Unemployment Insurance in the Wake of the Recent Recession (Washington, D.C.: Nov. 2012).

\textsuperscript{14}For more information about implementation of the PUA program, see GAO, Pandemic Unemployment Assistance: Federal Program Supported Contingent Workers amid Historic Demand, but DOL Should Examine Racial Disparities in Benefit Receipt, GAO-22-104438 (Washington, D.C.: June 7, 2022).
the first time that the regular UI program has been supplemented to respond to a pandemic.

**UI as a Federal-State Partnership**

The nation’s UI system is a federal-state partnership and regular UI benefits are funded primarily through state taxes levied on employers. Under this arrangement, states administer their own programs, according to certain federal requirements and under the oversight of DOL’s Employment and Training Administration (ETA) Office of Unemployment Insurance and ETA’s six regional offices. The UI system provides temporary, partial compensation for lost earnings to individuals who have become unemployed through no fault of their own and helps stabilize the economy during economic downturns.

Federal law and states determine how the UI system is administered. Federal law sets forth broad provisions that determine the categories of workers who must be covered by the program, some benefits provisions, the federal tax base and rate, and certain aspects of program administration. States have considerable flexibility to set benefit amounts and their duration, and to establish eligibility requirements and other program details. States also provide customer service and address program integrity and improper payments in their UI programs. Regarding eligibility, generally, each state’s law sets both monetary and nonmonetary requirements, according to DOL. Monetary eligibility typically refers to an earnings threshold and employment history that applicants must meet in order to qualify for benefits. Generally, when filing a claim, applicants are asked to provide certain information, such as the dates and addresses of their former employment, and state agencies corroborate this information through employer contacts. Nonmonetary eligibility refers to states’ criteria to determine if an individual’s job loss is through no fault of their own (i.e., for reasons including a lack of suitable

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15According to DOL, administration of the regular UI program is financed by a federal tax on employers.

16According to the U.S. Chamber of Commerce and selected state agencies’ employer manuals, after an applicant files a claim, employers can be expected to provide information to the state unemployment insurance agency, such as whether the individual was working full-time, part-time, or not at all; the nature of the individual’s separation from work; and whether the individual was receiving any form of compensation, such as a pension or severance pay. In addition, according to DOL, state law generally requires that employers report workers’ earnings quarterly to state unemployment insurance agencies, which uses the information to determine applicants’ monetary eligibility.
work), and that the individual is able to work, available for work, and actively seeking work.

During the pandemic, states continued to operate the regular UI program while administering the CARES Act UI programs. Generally, states were permitted to ease certain nonmonetary requirements to respond to the spread of COVID-19. For example, states must generally have laws that require regular UI recipients to be “actively seeking work” as a condition of eligibility for unemployment compensation for any week. However, states were permitted to waive work search requirements during the pandemic. While states were permitted temporary flexibility regarding work search, DOL determined that states could not waive the requirement to be able to and available for work. DOL also noted that states had flexibility to determine what it meant for an individual to be able to work and be available for work during the pandemic.

DOL’s UI State Administration Program funds grants to states to help them administer UI programs. Generally, DOL has used national projections of UI agencies’ workload related to the volume of claims, as well as other factors, to develop the President’s Budget request for the UI State Administration Program. After funds are appropriated, DOL uses a formula, and considers state workloads estimates and other information that states provide to DOL, to allocate funding to states. Since funding is calculated in part on the basis of claims-related workloads, the federal funding made available to states is generally sensitive to changes in total claims, with more funding becoming available when the number of claims increases and less when they decrease. Due, in part, to reduced workloads as a result of low unemployment levels, this funding declined steadily during the decade before the pandemic. From fiscal years 2010 to 2019, funding available for state administration declined from

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18States can specify a minimum number of weekly contacts a claimant must have with potential employers. See GAO, Unemployment Insurance: Actions Needed to Ensure Consistent Reporting of Overpayments and Claimants’ Compliance with Work Search Requirements, GAO-18-486 (Washington, D.C.: Aug. 22, 2018). Among other things, in that report we recommended that DOL provide states with information about its determination about the permissibility of states’ policies regarding warning claimants of noncompliance with work search requirements, monitor states’ efforts to discontinue these policies, and that it clarify information on work search verification requirements. As of May 2022, DOL had not implemented these recommendations.
approximately $3.2 billion to approximately $2.5 billion, a decline of about 21 percent.\(^{20}\) In addition to the amount that states receive through the UI State Administration Program, states may receive additional federal administrative funding if their claims-related workloads exceed certain levels.\(^{21}\)

Additionally, depending on the availability of funding, DOL may award supplemental grants to support various aspects of states’ UI programs, including IT modernization, as it did in 2017.\(^{22}\) States may also use additional state funding to administer their UI programs; however, according to DOL, not all states do so. The CARES Act and other legislation included provisions for funding states’ administration of the temporary UI programs. In addition, according to DOL, the CARES Act waived federal merit-based hiring requirements, which allowed states to hire contract staff during the pandemic.

**Program Integrity**

In the UI program, program integrity is a shared responsibility between the federal and state governments, with DOL providing general support and technical assistance, and states assuming responsibility for

\(^{20}\)After adjusting for inflation, this represents a decline of about 32 percent, using the gross domestic product price index.

\(^{21}\)In September 2021, DOL issued guidance providing information to the states about the preliminary fiscal year 2022 state UI administration grants that reflected an increase of $447.7 million over the amount issued in fiscal year 2021. The guidance noted that the fiscal year 2020 data that was the basis for much of the allocation was volatile, and that to distribute the funds equitably, DOL ensured that all states received the same percentage increase over their fiscal year 2021 allocations. The guidance also noted DOL’s assumption that Congress appropriates the amounts included in the agency’s fiscal year 2022 budget request, and that it would revise the amounts if Congress appropriates a different amount. See DOL, “Fiscal Year (FY) 2022 Unemployment Insurance (UI) State Workforce Agency Unemployment Insurance (UI) Resource Planning Targets and Guidelines,” Unemployment Insurance Program Letter (UIPL) 25-21, Sept. 2, 2021.

\(^{22}\)See DOL, “Unemployment Insurance Supplemental Funding Opportunity for State Consortia to Modernize Tax and Benefit Systems,” UIPL 22-17 (Sept. 8, 2017). According to DOL, this was the most recent supplemental funding opportunity. In addition, according to DOL, generally, funding has been available for IT modernization efforts during limited periods of time, and in such instances, DOL provided the funding to a few consortia of states. Additionally, the American Recovery and Reinvestment Act of 2009 created incentives for states to expand benefits, and address systems and policies, and, according to the National Employment Law Project, from 2009 to 2011, 39 states used $4.5 billion in this incentive funding for IT improvements. See Pub. L. No. 111-5, §§ 2002, 2003, 123 Stat. 115, 437-43. According to DOL officials, states could use these funds for IT modernization, for any other state UI administration efforts, or to improve their state UI trust fund balances.
determining eligibility, ensuring accurate benefit payments, and preventing improper payments. Federal executive agencies have been required since 2002 to identify and report estimated improper payments in their federal programs.

An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes, but is not limited to, any payment to an ineligible recipient. While improper payments may be the result of errors, some may also be the result of fraudulent activities. Before the pandemic, according to DOL, reported improper payments in the regular UI program most commonly occurred because some recipients failed to comply with the requirement that they search for work while claiming UI; made claims while working or after returning to work, and failed to report or misreported their earnings; or made claims when they were ineligible to receive benefits because of a

\[23^{23}\text{For the regular unemployment insurance program, DOL uses its Benefit Accuracy Measurement (BAM) system to determine the accuracy of benefit payments and estimate the amount and rate of improper payments. According to DOL, although temporary UI programs, like the CARES Act UI programs, have generally not been subject to the BAM system or improper payment estimation, DOL has extrapolated and applied the improper payment rates generated by BAM to PEUC and FPUC and included them in the UI improper payment estimate for fiscal year 2021, and is exploring methods to do so for PUA.}


\[25^{25}\text{See 31 U.S.C. § 3351(4). When an executive agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(c)(2).}
disqualifying job separation, such as quitting a job without good cause or being discharged due to misconduct.  

According to DOL, many UI improper payments cannot be prevented because federal law requires states to pay claims in a timely manner and provide claimants with due process when the state finds an eligibility issue. Specifically, federal law requires UI payments to be made “when due.” In addition, according to DOL, federal law prohibits states from suspending payments for claimants who have previously been found eligible for benefits until an official determination has been made that payments are no longer due. Because states are legally required to make payments when due, states may later deem some payments as improper after they obtain new, previously unavailable information about the associated claims. Additionally, according to DOL, federal law requires that when states detect an eligibility issue on a claim, the claimant has a right to receive notice of the issue and provide the state information before being denied benefits.

States must follow certain program integrity requirements and are encouraged to take other steps to ensure UI program integrity. For

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26DOL has identified fraud as one of four leading causes of improper payments, along with recipients’ failure to demonstrate compliance with work search requirements, recipients’ continued receipt of benefits after returning to work, and employers’ failure to report separations in a timely way (see DOL, Agency Financial Report, Fiscal Year 2021, Washington, D.C.). While overpayments may be caused by unintentional error, fraud involves obtaining something of value through willful misrepresentation. Whether an act is fraudulent is determined through the judicial or other adjudicative systems.

27GAO-18-486.

28Federal law requires states to have methods of administration in their UI programs that are found by DOL to be reasonably calculated to ensure full payment of UI benefits “when due.” 42 U.S.C. § 503(a)(1). DOL points to a Supreme Court decision stating that this language was intended to mean “at the earliest stage of unemployment that such payments [are] administratively feasible after giving both the worker and the employer an opportunity to be heard.” Cal. Dep’t of Hum. Res. Dev. v. Java, 91 S. Ct. 1347, 1354 (1971).

29According to DOL, the requirement to pay benefits when due, as well as due process requirements requiring notice and an opportunity for the claimant to be heard, present significant challenges to addressing improper payment rates. See DOL, Agency Financial Report, Fiscal Year 2017 (Washington, D.C.: Nov. 15, 2017).

30In addition, if an eligibility issue is detected but not resolved, the state is still required to pay for a claimed week no later than the week after an eligibility issue is detected, according to DOL. The time it takes to work through the necessary due process steps can prevent states from stopping the payment before it must be paid.
example, states must conduct cross-matches with federal agencies’ data, including the Department of Health and Human Services’ National Directory of New Hires and the Department of Homeland Security’s Systematic Alien Verification for Entitlement for verification of immigration status.\(^{31}\) DOL strongly encourages states to use other resources, including those of the Integrity Data Hub (IDH) operated by NASWA.\(^ {32}\) The IDH is a voluntary database where states can submit claims data to be matched against a state-populated database of fraudulent and suspicious claims data and identify multi-state claims.\(^ {33}\) The level of participation in NASWA’s services varies by state.\(^ {34}\)

**Selected States Reported Numerous Challenges in Implementing CARES Act UI Programs**

Officials from the six selected states faced numerous and varied challenges as UI claims rapidly surged to unprecedented levels during the pandemic. Concurrent with the surge in claims, these states faced challenges implementing CARES Act UI programs that expanded benefits and provided assistance to unemployed workers. And, as states ramped up the new UI programs, state and NASWA officials said potentially fraudulent activity targeting UI benefits increased. According to NASWA officials, this increase challenged states to deliver benefits quickly for legitimate claimants while detecting and addressing potentially fraudulent claims.\(^ {35}\) The selected states generally acted to address these multiple challenges simultaneously by significantly increasing staff, increasing IT capacity, expanding customer service, and strengthening program integrity. Despite these efforts, NASWA officials noted that recipients

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\(^{33}\) NASWA also provides other UI-related program integrity services, including fraud alerts, identity verification tools, and biweekly phone calls on a variety of fraud identification topics. In addition, NASWA identifies suspicious email domains and foreign internet provider addresses, and offers expertise for consultation with states.

\(^{34}\) As of March 2022, DOL officials said that 42 states were sending UI claims for cross-matching, and 34 states were using the identity verification services.

\(^{35}\) DOL officials characterized sophisticated criminal identity fraud as increasing significantly.
often could not access needed benefits in a timely manner, which recipients said led to hardships.

Selected States Tried to Meet Soaring Demand by Addressing Staffing, IT, and Customer Service Challenges

When the pandemic first emerged in the United States, the selected states were not well positioned to handle the unprecedented surge in claims volume. Specifically, selected state officials said that their state UI offices experienced numerous staffing issues, including staffing shortages and the need to train new staff, problems using and adding functionality for their IT systems, challenges meeting customer demand for help with claims processes, and issuing payments in a timely manner. NASWA officials explained that during the years prior to the pandemic, states had reduced their UI staff, given that the economy was strong and unemployment rates were historically low. DOL and NASWA officials told us that states could not have anticipated—and could not have planned for—such a rapid and large increase in claims volume. At the outset of the pandemic, the volume of regular UI initial claims—claims filed by an unemployed individual after separation from an employer—reached an unprecedented level, which placed an immense strain on state staff resources. In our six selected states, regular UI initial claims submitted from March 2020 through May 2020 ranged from 10 times to almost 25 times higher than claims submitted during the same 3-month period in 2019 (see table 1). The strain on staff resources created by the unprecedented volume of regular UI claims was exacerbated by the accompanying surge in initial PUA claims. If PUA claims were also included, the initial claims volumes facing staff in our six selected states during this initial 3-month period of the pandemic ranged from about 11 times to about 33 times higher than what they faced during the same period in 2019. However, the corresponding period in 2019 does not include PUA claims because the program was not in effect at that time.

36System functionality refers to the set of functions or capabilities associated with hardware and software.

37For more information on states’ implementation of the PUA program and the extent to which it helped contingent workers, see GAO, Pandemic Unemployment Assistance: Federal Program Supported Contingent Workers amid Historic Demand, but DOL Should Examine Racial Disparities in Benefit Receipt, GAO-22-104438 (Washington, D.C.: May 2022).
Table 1: Unemployment Insurance (UI) Initial Claims Volume between March-May 2019 as Compared to March-May 2020

<table>
<thead>
<tr>
<th>State</th>
<th>Regular UI claims, 2019</th>
<th>Regular UI claims, 2020</th>
<th>Comparison of regular UI claims in 2019 and 2020</th>
<th>PUA claims, 2020</th>
<th>Total regular UI and PUA claims combined in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>56,999</td>
<td>634,442</td>
<td>10.1 times higher</td>
<td>204,652</td>
<td>839,094</td>
</tr>
<tr>
<td>Florida</td>
<td>73,344</td>
<td>1,877,611</td>
<td>24.6 times higher</td>
<td>136,174</td>
<td>2,013,785</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>60,438</td>
<td>924,561</td>
<td>14.3 times higher</td>
<td>583,303</td>
<td>1,507,864</td>
</tr>
<tr>
<td>Michigan</td>
<td>73,151</td>
<td>1,555,842</td>
<td>20.3 times higher</td>
<td>937,391</td>
<td>2,493,233</td>
</tr>
<tr>
<td>Minnesota</td>
<td>39,072</td>
<td>680,516</td>
<td>16.4 times higher</td>
<td>100,880</td>
<td>781,396</td>
</tr>
<tr>
<td>Wyoming</td>
<td>3,721</td>
<td>40,699</td>
<td>9.9 times higher</td>
<td>3,600</td>
<td>44,299</td>
</tr>
</tbody>
</table>

Comparison of regular UI claims 2019 to total regular UI and PUA claims combined in 2020:
- Arizona: 13.7 times higher
- Florida: 26.5 times higher
- Massachusetts: 23.9 times higher
- Michigan: 33.1 times higher
- Minnesota: 19 times higher
- Wyoming: 10.9 times higher

Source: GAO analysis of Department of Labor’s monthly data for regular UI and the Pandemic Unemployment Assistance (PUA) program.

Notes: The Pandemic Unemployment Assistance (PUA) program was created with the enactment of the CARES Act in March 2020 and thus there are no 2019 PUA claims. Data are from DOL’s ETA 902P and ETA 5159 data files, which we obtained on January 28, 2022. States may submit adjusted data to DOL over time. We reviewed data between March 2020 and May of 2020 to reflect claims submitted during the first three months of the pandemic, and reviewed data for the same time period in 2019 to compare state staff claims workloads. We observed some additional spikes in the initial claims counts after May 2020, but those spikes are not reflected in this data. Not all initial claims are approved and result in benefit payments, but the volume indicates the demand for UI benefits and the workload states faced at the beginning of the pandemic, as compared to the same timeframe in the previous year.

**Staffing challenges.** Selected states reported experiencing challenges related to staffing shortages, training new staff, adopting social distancing practices and implementing remote workplaces; however, state officials said they found ways to mitigate these challenges. Officials in all of our selected states said that to address staffing shortages—one of their most urgent needs when claims volume increased—they supplemented their existing staff using one or more of the following strategies: hiring new staff, using staff from other agencies, and contracting for staff. They told us that they lacked sufficient staff overall and particularly staff with sufficient experience with claims processing, adjudication, and customer service when UI claims surged. Almost all of our selected states increased claims processing staff. Some UI agencies expanded their staff by using staff from other units from within the UI agency or from other state agencies.\(^{38}\) For example, the UI agencies in Florida, Massachusetts, and Michigan used staff internally or from other state agencies to meet their staffing needs. In Florida, officials said they used staff from the state...
Department of Revenue to help with claims processing and making claims determinations, and contracted with vendors for additional staff to support call center operations. Officials in Minnesota also told us that they assigned experienced staff to claims and determinations work while assigning other tasks to new staff and staff from other offices and agencies.39

Despite states’ efforts to increase their claims processing staff, in some cases, state officials said it was still difficult to address the unprecedented claims volume. For example, while Florida officials told us they increased their staff by 93 percent, they also said this was not sufficient to handle the spike in claims they received. According to data Florida reported to DOL, the state received more than 2 million initial regular UI and PUA claims from March 2020 to May 2020, compared to the 73,000 initial regular UI claims they received during the same period in 2019. When asked how they estimated the number of additional staff they would need, in four of the six states, officials noted that they considered workload at some point, and officials in three states noted related challenges. For example, officials in one state noted that there was not time to forecast staffing needs at the onset of the pandemic. Additionally, Minnesota officials said that based on the model DOL uses to allocate funding to support states’ staffing on an annual basis and given the increased volume of claims the state was experiencing, the Minnesota UI agency would have needed about 4,000 total staff—a staff level they characterized as impractical.40 Minnesota officials also pointed out that their need was for experienced staff who could address the complexity of the CARES Act UI claims. Additionally, Minnesota officials noted that it is problematic to scale up UI quickly, a program they described as inherently complex. As a result, states had to take additional steps to try to manage the workloads facing staff.

As the states increased their staffs in response to the surging claims volume, state officials said they shortened the length of training, streamlined training, and adopted other approaches to expedite preparing new staff to assume their duties. For example, Arizona officials told us that prior to the pandemic, training claims adjudicators took 6 to 8 weeks,

39States employed similar strategies, such as using staff from other agencies, in response to the increased claims during the Great Recession. See Coffey Consulting, Unemployment Insurance (UI) Call Center Study Final Report, January 27, 2017.

including 4 weeks of on-the-job training. During the pandemic, they
developed shorter training modules that could be completed in 5 weeks
and established an internal help line for new state claims adjudicators to
use when they needed help answering a claimant’s question. Also,
Florida officials told us they shifted from face-to-face to virtual training, so
new employees could complete training at their office workstations.
Florida officials also shortened existing training modules and trained a
core group of contractors to provide the same training to their peers,
among other techniques.

The selected states also used other strategies to address staffing needs
to process the high volume of claims, including assigning less
experienced staff to tasks other than claims processing and adjudication,
authorizing overtime, and shifting to a remote work environment, which
also addressed the emerging need for workplace social distancing. For
example, to better allocate tasks based on skills and experience,
Minnesota officials told us they assigned newly-hired staff to answering
calls and responding to simple questions from claimants, freeing
experienced staff to do more complex work. Michigan officials also
reported that they used staff from other agencies to assist with account
lockout issues, which did not require experience with UI, while staff from
other offices, who were former UI staff, helped with claims processing.
Arizona and Florida accommodated the increased workload by also
authorizing overtime, while Wyoming both authorized overtime and
expanded its phone line hours.

The shift to a remote work environment emerged as a necessity to help
states meet new workplace safety requirements, such as social
distancing. State officials noted that the shift to telework presented
multiple challenges, including acquiring the necessary equipment,
providing technology training to staff, and, in some cases, adjusting staff
for supervisory purposes. For example, Massachusetts officials said one
of their biggest challenges was adjusting to the new remote work
environment. Prior to the pandemic, the state agency was piloting remote
work with some groups of employees, but in response to COVID, moved
all staff to telework. However, they told us that some staff needed
additional training to assist with adjusting to the new remote work
environment.

**IT challenges.** State UI agencies rely extensively on IT systems to carry
out their program functions, including benefit eligibility determinations,
recording claimant filing information, and calculating benefit amounts.
However, at the time of the pandemic, many states relied on antiquated,
or legacy, IT systems that were developed in the 1970s. Those legacy systems typically ran on outdated software. As a result, states with legacy IT systems may have faced challenges that were exacerbated by the pandemic’s high claims volume, which necessitated state actions to address them.

Status of IT Modernization and System Capacity Among the six states, all but one (Arizona) had modernized their UI systems before the pandemic, according to NASWA. Of the five modernized systems, three (Massachusetts, Minnesota, and Wyoming) had cloud-based systems. Massachusetts officials told us that migrating their system to the cloud in 2017 enabled them to handle regular UI claims volumes increases without system crashes. Arizona officials used their existing mainframe system, and had the ability to add server capacity automatically to avoid system interruptions as a result of their experience with high claims volumes during the Great Recession. Most of the state officials we spoke with said they regularly monitored system capacity to address emerging issues. NASWA officials told us that modernization is an ongoing effort as technology evolves. According to the DOL OIG, states with modernized UI IT systems implemented CARES Act UI programs faster than states with systems that were not modernized, launching PEUC on average 15

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42GAO has previously reported on UI system modernization. Please see for example, Information Technology: Department of Labor Could Further Facilitate Modernization of States’ Unemployment Insurance Systems, GAO-12-957 (Washington, D.C.: September 26, 2012). In that report, we provided information about the status of nine states’ IT modernization efforts at that time and related DOL efforts, such as a $500 million special distribution made under the American Recovery and Reinvestment Act of 2009 that states could use for certain administrative purposes. See Pub. L. No. 111-5, § 2003, 123 Stat. 115, 439-43. In 2010, the DOL OIG reported that 25 of 39 states planned to use this funding for UI IT improvements. See Department of Labor Office of Inspector General, Recovery Act: More Than $1.3 Billion in Unemployment Insurance Modernization Incentive Payments Are Unlikely to Be Claimed by States, 18-10-012-03-315, September 30, 2010. In June 2012, DOL subsequently reported that, as of May 2012, 47 percent of that funding had been expended, and that nine states had not expended any funds. See Department of Labor, “500 Million Special Distribution Provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act),” June 1, 2012.

43Cloud computing is a means for enabling on-demand access to shared pools of configurable computing resources (e.g., networks, servers, storage applications, and services) that can be rapidly provisioned and released.
days earlier than states with non-modernized systems, and PUA 8 days earlier.44

Overall, while some states benefitted from modernizing their systems prior to the pandemic, other states that had modernization efforts underway, such as Wyoming, which was fine-tuning its newly modernized system, postponed those efforts due to the pandemic.45

State officials described challenges with their systems’ capacity to handle the high volume of claims. State officials reported that the surge in claims volume challenged system capacity, and five of the selected six states reported increasing server capacity. When determining the system capacity needed, states had to factor in both the expected volume of initial claims being filed for the first time and the volume of continuing claims for individuals who remained unemployed.

*Functionality:* State officials reported that implementing the new CARES Act UI programs required states to add new functionality to their IT systems, which was a challenge given the tight timeframes for meeting claimant needs. Officials in some selected states cited particular challenges in implementing PUA, with Arizona and Massachusetts determining that their existing systems could not support it and setting up a standalone system instead.46 NASWA officials told us that this was necessary in some states due to the program’s complexity.47 Other states that incorporated PUA requirements into their existing systems also reported challenges. For example, Florida officials said the speed with which they had to add functionality for PUA into their system was challenging, and some states reported that adding functionality to their systems for PUA was difficult because it was so dissimilar to regular UI programs. However, four of the selected states noted that they were able

45According to NASWA, 23 states had modernized their tax or benefit systems or both as of September 2019, and by May 2022, 31 states had done so.
46For additional information on states’ IT challenges with PUA, see GAO-22-104438.
47Programming for PUA was more complex, according to state and NASWA officials, because it was the first time contingent and self-employed workers were covered by unemployment insurance nationwide and the eligibility requirements are substantially different from those for regular UI. Moreover, the states and the workers themselves typically lack the same types of documentation that the states use to process regular UI claims.
to use some existing system functionality, in particular for the implementation of FPUC and PEUC.\textsuperscript{48}

Despite facing challenges getting their systems ready for program implementation, overall, the six states had systems in place to make initial payments under all three of the CARES Act UI programs by June 15, 2020.\textsuperscript{49} Fig. 1 shows the dates that each of our selected six states signed the agreement to administer the CARES Act UI programs, and the dates of the first benefit payments under each program.\textsuperscript{50}

\textsuperscript{48}Specifically, states were able to reuse and modify program code they had previously used for temporary programs during the 2007-2009 Great Recession. One such program provided a supplemental weekly benefit, like FPUC, and the other provided additional weeks of benefits, like PEUC. By contrast, DOL officials noted, since there was no comparable predecessor program for PUA, states had to develop significant new functionality to implement PUA within their existing IT systems or create a separate standalone system for PUA.

\textsuperscript{49}In its analysis of implementation for all states, the DOL OIG found that, from the enactment of the CARES Act to the first payment of a claim, it took on average 25 days for states to make first payment on Federal Pandemic Unemployment Compensation claims, 38 days for Pandemic Unemployment Assistance claims, and 50 days for Pandemic Emergency Unemployment Compensation claims. It described delays of longer than 30 days as unacceptable because they exceeded a typical billing cycle for household expenses. In its response, DOL noted that, for comparison purposes, a “swift rollout” of a new government benefit program would be at least 30 months. DOL Office of Inspector General, 19-21-004-03-315 (Washington, D.C.: May 28, 2021).

\textsuperscript{50}The CARES Act authorized benefit payments for FPUC and PEUC for weeks of unemployment beginning after the date of states’ agreements with DOL, and authorized benefit payments for PUA for certain weeks of unemployment before the date of enactment. Pub. L. No. 116-136, §§ 2102(c)(3), 2104(e), and 2107(g).
After the states developed the initial system functionality needed to implement the CARES Act programs, modifications became necessary to accommodate changes in law and related guidance. According to DOL, certain of these changes were in response to state questions that arose during implementation or to anticipate the CARES Act programs’ expiration, and some state officials identified particular changes as challenging to implement. For example, Florida officials noted that a change to DOL guidance added new instructions for the PUA program that the state had not included in their system when they initially implemented it, such as an instruction that claimants certify their eligibility weekly for a COVID-related reason. Additionally, citing a subsequent change to the same guidance, Minnesota officials noted that, while the change facilitated the eligibility process for PUA claimants, it also addressed retroactive claims, which they said became very difficult.\footnote{Department of Labor, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, Pandemic Unemployment Assistance (PUA) Program Additional Questions and Answers, UIPL 16-20, Change 2 (Washington, D.C. July 21, 2020). GAO did not independently verify states’ interpretation of guidance issued by the DOL.} Michigan officials also identified a subsequent change to that guidance that required PUA claimants to provide proof of employment, as
mandated by a provision in the Consolidated Appropriations Act, 2021, necessitating that the agency rework the claims.52

Finally, states also needed to add system functionality to implement the extension of the UI programs. For example, Florida officials said they had to add functionality to prepare for two potential dates for PUA expiration. At the time of our interview, Florida officials said they were waiting for DOL guidance to implement some CARES Act program extensions. Additionally, states faced some uncertainty about the expiration of the CARES Act UI programs, as it was unclear whether Congress would extend the programs, as it did in December 2020. Given this uncertainty, according to a Massachusetts official, the state had to anticipate both prospects—that the programs could end and that they could be extended.

Other actions: In addition to adding server capacity and new functionality, officials in the selected states also upgraded their systems to develop or enhance mobile-friendly applications.

States took other actions to address IT challenges to assist in processing the surging claims workload, including upgrading phone systems, automating some functions, and increasing self-service options.53 For example, Florida officials said they implemented an interactive voice response system that allowed claimants to access information without UI staff assistance. Officials from all six states described self-service options available to claimants, and officials in four described efforts to encourage claimants to make use of those options. In one of these states, Minnesota, officials said that the UI program had a high rate of self-service before the pandemic, which they estimated at 95 percent. During the pandemic, they said they encouraged everyone other than non-English speakers to use the website as much as possible.


53A report conducted for DOL on states’ customer service practices in 2017 found that many states had self-service options for claimants, and noted that 75 to 80 percent of initial claims were filed online then. It noted that a common reason why claimants contact the state UI agency is to check on claim status. By offering claimants various ways to access information about their claims, state agencies may save staff resources and time. Coffey Consulting, Unemployment Insurance.
Despite these actions by states, some recipients who participated in our discussion groups and some advocates told us that claimants faced a variety of challenges with the public-facing components of state IT systems, such as websites, interactive voice response system menus, online chat functions and other features. For example, in our discussion groups in Arizona, Massachusetts, Michigan, Minnesota, and Wyoming, some recipients described problems with getting locked out of their online application account, website crashes, and website navigation.54

**Customer service.** State officials said they hired staff and contractors to help address the significant challenges to providing customer service to the high number of CARES Act UI claimants, including those applicants who were seeking UI benefits for the first time, and took other actions such as expanding their offices’ operating hours. Advocates and discussion group participants reported negative experiences applying for assistance, such as long wait times to obtain assistance with questions about their claims and some said they found limited services for non-English-speaking claimants.

Officials in the selected states reported long call wait times for individual claimants. For example, four states (Arizona, Massachusetts, Michigan, and Minnesota) reported call wait times of up to 1 to 3 hours during the pandemic, and two other states (Florida and Wyoming) reported individual wait times up to 8 hours or more. In many cases, some recipients in our discussion groups said that they had to make multiple calls over days or weeks to resolve their concerns.

### Recipient perspectives on call wait times and multiple call attempts:

Arizona recipient: “And it took forever to get someone on the phone. I finally got someone, and they were actually able to help me. But it takes hours to be on the phone with them. And I have two kids, so it’s really hard to be on the phone all day.”

Florida recipient: “I was on the phone for hours. Hours, like 3 hours.”

Massachusetts recipient: “I called every single week for I think, 3 months straight. And the first time I called I got disconnected because the phones were too busy.”

Michigan recipient: “You would be on the phone staying there 2 hours waiting to talk to someone, after you’ve done everything that you were supposed to do on the…account.”

Wyoming recipient: “I did try to contact them, like I said in the beginning, but I wasn’t able to, so I just let it go.”

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54We have ongoing work looking at state UI IT system modernization efforts, including successes and challenges, as well as DOL’s management and oversight of its efforts to assist agencies with their modernization efforts.
Additionally, some discussion group participants and advocates we spoke with said it was difficult to reach a UI employee who could answer questions about a specific claim. For example, one discussion group participant said that a UI employee with whom they spoke seemed to be reading from a script and could only respond to general questions.

Advocates told us language services for non-English speakers were limited. For example, according to an advocate in one state, translation services were available for only 1 day a week. State officials described specific steps they took to address the needs of non-English speakers. For example, Michigan and Arizona set up phone lines for those needing translation services.

**Payment timeliness**: When asked about challenges with issuing payments in a timely way, officials in two states noted challenges related to the increased claims volume and officials in one state noted the need to mitigate the increased risk of fraud. Figure 2 provides data on first-payment timeliness for the six selected states from January 2020 through August 2021. According to DOL officials, states’ payment timeliness data reflect the challenge of addressing claims backlogs, which continued into 2021.

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55See also CARES Act reports, at https://www.gao.gov/coronavirus. DOL’s standard for first-payment timeliness applies to the regular UI program, not temporary programs like the CARES Act UI programs. However, the states we spoke to said that it generally reflected the timeliness of Federal Pandemic Unemployment Compensation payments, because those benefits were paid simultaneously with the regular benefit.
Figure 2: Percentage of Regular Unemployment Insurance First Payments to Claimants that Met the 21 Day Timeframe by Selected States Compared to DOL’s 87 Percent Standard, Selected States, January 2020 through August 2021

Note: According to the Department of Labor (DOL), states must pay at least 87 percent of regular UI claims within 14 or 21 days to reach an acceptable level of performance. We analyzed UI first-payment timeliness data that states had reported to DOL as of February 10, 2022. One of DOL’s core performance measures is the percentage of all regular UI first payments made within either 14 or 21 days of the first week of benefits for which claimants are eligible, depending on whether the state requires that individuals who are otherwise eligible for benefits serve a waiting period—generally one week—before receiving benefits. We focused on payments made within 21 days because in guidance released at the start of the pandemic, DOL recommended that states consider temporarily waiving their waiting week requirements.

Source: GAO analysis of Department of Labor data on first payments made within 21 days on regular UI claims. | GAO-22-104251
Furthermore, some of our discussion group participants said they had received their first benefit payment within 3 weeks of their application, but other participants reported payment delays, in some cases as long as 2 or 3 months.56

Recipient perspective on payment delay and state efforts to address fraud:

Massachusetts recipient: “My challenge is, because of the whole fraud thing, I had to verify every time. Even now when I log in, I have to do an extra step just to verify it’s me by phone text— every time I log in, I have to verify who I am. And I wasn’t aware that the first time when I was laid off and I had applied, that when they terminated me, everything was going to kick start again and I would have to start the application process all over again as well when I was sick and I wasn’t able to look for work or anything because of surgery. They made me restart everything and I had to send proof. And I spent from November to February without collecting and not to mention the first time that I applied that my unemployment didn’t kick in until like June, July. So that was pretty hard, like the process—having to send all the verifications in.”

Source: GAO analysis of information from discussion groups with unemployment insurance recipients in Massachusetts. | GAO-22-104251

In our discussion groups, participants who experienced delays in payment described the impact of those delays and the strategies they used to cope. They told us that impacts covered diverse aspects of their lives, from finances to health. For example, one discussion group participant said his car was repossessed and for a time, his electricity was turned off. Other respondents said they experienced stress due to not receiving their payments on time. Some participants in all of our discussion groups

56 Various factors may have contributed to the delays reported by participants in our discussion groups. According to DOL, states must pay at least 87 percent of regular UI claims within 14 or 21 days to reach an acceptable level of performance. The large increase in claims is one factor associated with delays. For example, a NASWA review conducted in the aftermath of the Great Recession found a relationship between claims volumes and payment timeliness, as well as other issues, such as payment accuracy. See Burt S. Barnow and Rich A. Hobbie, *Implementation of the American Recovery and Reinvestment Act Final Report* (Center for Employment Security Education and Research, National Association of State Workforce Agencies, Oct. 2012). Additionally, in a survey conducted for DOL about states’ customer service practices during the Great Recession, many states reported that the sudden increase in claims volume at that time, combined with the onboarding of new and incompletely trained staff, led to mistakes in claims processing—mistakes that may have contributed to delays as those mistakes were resolved. Coffey Consulting, *Unemployment Insurance*. State efforts to address fraud can also lead to delays for legitimate claimants; officials in three states told us that they suspend affected accounts during an investigation, and claimants lack access until their accounts are restored. Other factors that may contribute to delays may include actions by claimants and employers. For example, claimants may inadvertently cause delays if they make mistakes during application. Delays may also occur when employers do not report to their state agencies in a timely manner.
described the strategies they used to make ends meet while waiting for their payments. Those strategies included using funds from their retirement accounts and other savings, relying on family and friends for loans to meet living expenses, and accepting assistance from community-based food pantries and other organizations to get help with food and utilities.

### The Six Selected States Noted Challenges with DOL Guidance But Also Found It Helpful

Across our selected states, state officials described a variety of challenges to implementing DOL guidance, as well as the helpfulness of DOL guidance during the pandemic. State officials cited challenges such as the frequency of changes during implementation and the clarity of the guidance, and in some cases noted that the guidance would have been more helpful if issued earlier.\(^5\) For example, some state officials told us that DOL often issued many changes amending its original guidance or issued additional information, in the form of questions and answers, to clarify the original guidance. According to DOL officials, this additional information and changes to guidance may have reflected statutory changes or responses to states' questions about issues DOL had not previously considered. Nevertheless, according to officials in two states, some of the changes to guidance were confusing and one state noted that it added to their workload. For example, state officials from one state said DOL corrected their state’s interpretation of proof of employment, but later issued guidance allowing the state’s original interpretation. Officials from another state said DOL’s guidance with states’ questions and answers seemed incomplete and did not reflect adequate knowledge of program administration in the states.

Four selected states’ officials characterized DOL’s guidance on the PUA program, in particular, as contributing to challenges with ensuring program integrity. For example, officials in one of the selected states said the initial PUA guidance could have been improved with more information and examples of eligibility determinations and actions states could take in response to suspicious claims. Without these examples and information, states found it challenging to make eligibility determinations and ensure only eligible claimants received benefits. Officials in Florida told us DOL’s

\(^5\) Similar to the findings from our six states, DOL OIG also heard from states that said DOL’s guidance was untimely and unclear. For example, according to DOL OIG, some state officials said that DOL’s additional guidance reinterpreted matters that states thought had been finalized and that clearer, earlier, and more detailed guidance might have rendered a more efficient implementation of the CARES Act UI programs and prevented overpayments. See Department of Labor Office of Inspector General, *COVID-19: States Struggled to Implement CARES Act Unemployment Insurance Programs*, 19-21-004-03-315 (Washington, D.C.: May 28, 2021).
changes to PUA guidance after states had begun implementation made it
difficult to ensure program compliance. For example, they told us DOL
issued changes to the guidance providing instructions on PUA financial
and reporting requirements after the state had implemented the program
and that having guidance earlier would have been helpful during the
implementation. DOL officials discussed the challenges the agency faced
in getting guidance out to states for the UI programs, noting that there
was an expectation of immediate implementation of the programs after
the CARES Act was enacted for programs that were not easily
implementable.

Despite the areas for improvement voiced by officials in our selected
states, state officials also described the helpful role that DOL guidance
played in state implementation. Officials in all of the selected states said
DOL guidance is the basis for technical program implementation. Across
the states, officials took the opportunity to identify other ways in which the
guidance was helpful during implementation. For example, in one state,
officials said they used it for policy development as well and in in another
state, officials told us that they carefully reviewed the guidance and then
developed checklists that guided their policy and procedures. Additionally,
in two states, officials said they relied on the guidance when adding
functionality to their IT systems to implement the CARES Act programs.

Selected States
Collaborated with State
and Federal Partners and
Took Other Actions to
Address Program Integrity
Issues

Officials in our six states said that they collaborated with state and federal
partners and used various other measures to address challenges in
detecting and preventing improper payments during the pandemic. One of
these challenges involved the need to balance paying legitimate claims
quickly with the need to address improper payments. State officials
faced difficulties preventing improper payments, in part because the need
to implement CARES Act programs quickly led to some traditional UI
safeguards not being used initially. For example, according to the DOL
OIG, generally, states waived provisions that were in place before the
pandemic that required otherwise eligible individuals to wait—generally,

58An Office of Management and Budget memorandum issued in April 2020 directed
agencies to consider several core principles in order to balance speed and transparency
in the issuance of awards to meet crucial needs. OMB 21, Implementation Guidance for
Supplemental Funding Provided in Response to the Coronavirus Disease 2019,
Some state officials also pointed to the challenges of serving the self-employed, such as documenting eligibility and income. Officials in Wyoming said the greatest challenge identifying fraudulent claims was the sheer volume of claims received by the state, a view similarly expressed by officials in Michigan. However, officials in most of our states also cited the initial lack of safeguards in the PUA program as a challenge to their program integrity efforts. Indeed, reported fraud-related overpayments in the PUA program exceeded those of other UI programs during the first 7 quarters of the pandemic combined. From April 2020 through December 2021, states and territories reported that about $2.9 billion in overpayments they had identified resulted from fraud across the UI programs, including about $1.2 billion from PUA, $0.9 billion from FPUC, $0.6 billion from the regular UI and Extended Benefits programs, and $0.1 billion from PEUC.

59The CARES Act provided federal funding for the first week of benefits for states without a waiting week, providing an incentive for those states with such one-week waiting periods to remove them. According to the DOL OIG, almost all states had one-week waiting periods before the pandemic. In its guidance released at the start of the pandemic, DOL provided guidance to states that reflected the new statutory enactments which encouraged states to temporarily waive their waiting week requirements. Waiving the waiting period meant that some states had less time to detect and prevent fraud, according to NASWA officials.

60For more information, see GAO-22-104438.

61For example, the PUA program’s initial self-certification process did not allow for proper fraud prevention procedures to take place, according to the DOL OIG. DOL OIG, COVID-19, 19-21-004-03-315.

62While overpayments may be caused by unintentional error, fraud involves obtaining something of value through willful misrepresentation. Whether an act is fraudulent is determined through the judicial or other adjudicative systems. GAO accessed the fraud overpayments data on March 28, 2022; these data are subject to change as more states and territories report data and as states and territories revise previously reported data. For more information, see GAO-22-105397. The total PUA amount shown also includes fraud overpayments related to identity theft. As of March 28, 2022, 35 states and territories had reported about $26 million of additional PUA fraud overpayments since December 2021. The Extended Benefits program comes into effect and pays unemployment benefits when a state’s unemployment rate is increasing and reaches certain levels. All states must pay up to 13 weeks of extended benefits if the unemployment rate among those eligible for UI for a specified 13-week period is at least 5 percent and is 120 percent of the average of the rates for the same 13-week period in each of the two previous years. States can also choose to pay an additional 7 weeks of extended benefits if the unemployment rate among those eligible reaches certain thresholds and is increasing.
Five of our selected states reported working with other state agencies or federal partners, such as the DOL OIG, to address potentially fraudulent activity. For example, Michigan officials said they established a working group that includes its federal partners, the state’s attorney general office, and state police to investigate and prosecute fraud cases. In Arizona, a multijurisdictional task force comprised of about 40 federal, state, and local agencies has facilitated coordination on UI fraud cases among the agencies, according to state officials. Arizona and Massachusetts officials said that, among other things, these working groups helped participants determine which levels of government would be responsible for pursuing certain kinds of potentially fraudulent claims. For their part, states’ attorney general officials told us they considered several factors in pursuing claims, such as geographic scope or a certain dollar threshold, and in one state, the attorney general was pursuing fraud that targeted vulnerable groups, including the homeless and persons with limited English proficiency. State attorney general officials also mentioned challenges of conducting investigations during the pandemic, such as interviewing victims and obtaining evidence from external parties, such as cable and internet providers that could provide information related to internet addresses used by fraud perpetrators. Additionally, some selected state officials reported instances of suspected fraud to local law enforcement, the Secret Service, and the U.S. Postal Inspector.

In our six states, officials reported increased fraudulent activity during the pandemic, including an increase in cases related to identity fraud, reflecting organized efforts in some cases. For example, Arizona officials told us they experienced an initial surge in potential fraud in the PUA program, followed by a surge in suspected fraud in the regular UI program in January 2021 after having implemented several fraud prevention mechanisms in the PUA program. While Wyoming UI and attorney general officials said they lacked the capacity to investigate fraud rings, state agency officials told us that they understood federal investigations were under way based on their conversations with federal investigative units.

63Arizona officials also reported that they worked with a DOL OIG staff person assigned to them on detail.
Officials in four states told us they used data analytics to flag potential fraud. These states told us that they used these programs to identify suspicious patterns in claims. Generally, these programs generate a numeric score based on the suspicious characteristics of the claims, and claims with scores over a certain threshold are flagged and payments are suspended while the state conducts an investigation. Generally, claimants are given the opportunity to provide additional information, allowing payments to resume if warranted. Beyond these four states, one state reported using its own methods to detect unusual patterns, and one state reported using manual queries for this purpose. These tools were generally in place prior to the pandemic. For example, Michigan’s data analytics tool, developed in-house in 2018, was applied during the pandemic to the CARES Act UI programs, though during the pandemic not all factors in this tool were running simultaneously, according to state officials. In Massachusetts, state officials applied a data analytics tool which they had obtained for the PUA program to the regular UI program, citing their experience with the results to date. Officials in Florida also reported using their data analytics program to identify potential fraud in regular UI claims.

State officials also reported extensive use of tools for identity verification to address fraud. Five of the six states reported increases in potential fraud related to identity fraud, and in some cases characterized the increase as substantial. For example, officials in Arizona said that the vast majority of cases referred to them for fraud investigation involved identity theft. Five of the six states reported extensive use of identity verification processes to combat identity theft during our interviews. In some cases they reported using commercially available products, data analytics, NASWA’s identity verification services, or a combination of these processes. States described using these tools to authenticate a claimant’s identity at application, as well as to unlock accounts after determining that a claim was legitimate, among other purposes.

Additionally, four states also reported that they used their websites to allow claimants and the public at large to report potential fraud, such as fraud related to failure to report earnings or fraud related to identity theft.

64While predictive data analytics can identify potential fraud before payments are made, data analytics can also include data mining and data matching techniques that enable programs to identify potential fraud or improper payments that have already been awarded, thus assisting programs in recovering these dollars. See GAO, A Framework for Managing Fraud Risks in Federal Programs, GAO-15-593SP (Washington, D.C.: July 2015).
Massachusetts officials said that those who have had their identity used to file a UI claim can submit the information online and receive information on steps they can take to address the fraudulent activity. In these cases, they said that the state is able to automatically stop the claim.

As of late 2021, all six states reported using at least some form of identity verification. Four states mentioned using NASWA’s identity verification services available through the Integrity Data Hub (IDH). Three states reported that they were actively using a commercial service for identity verification, and one state was planning to use that service. States also noted some internal processes they utilized to verify identities, such as requiring claimants to use multi-factor authentication or submit “selfie” photographs.65

Officials in four states said their use of identity verification methods had prevented improper or fraudulent payments among other results. For example, Florida officials estimated they had prevented about $23 billion in potentially fraudulent CARES Act UI and regular UI payments from March 2020 through August 2021.66 Similarly, Arizona officials estimated potential savings of $40 billion from preventing potentially fraudulent PUA payments.67 Some states also cited other results from using these methods. For example, Florida officials cited a substantial reduction in the number of fraudulent claimants filing initial claims, and Massachusetts officials reported a substantial reduction in the backlog of identity verification issues. In addition, Massachusetts officials noted that before the adoption of these new methods, identity-based disqualifications were happening during the fourth or fifth week of the claim—after the claim had

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65 Across the six states, officials said they used these methods in tandem with other program integrity tools, such as the National Directory of New Hires and the Interstate Connection Network, and matches with state databases, such as state driver’s license and tax data.

66 Florida officials said they based their estimate on the number of accounts that had been suspended due to suspected fraud, the number of benefit weeks available in those accounts after they were suspended and the maximum amount of benefits that could have potentially been processed. Florida officials said the estimates are for the period March 2020 through August 2021, the estimate is not annualized, and it does not include administrative costs that would have been associated with processing the payments if they had been made.

67 Arizona officials said they calculated their estimates using, in part, the decrease of incoming initial and continuing claims that resulted from the state’s implementation of real-time identity verification.
already been paid—whereas, with the new methods, the state agency can immediately prevent payment on the claim.

Four of the five selected states’ officials we interviewed about using federal funds for program integrity said they had used federal funding for that purpose. For example, officials from Massachusetts said federal funding supported hiring and costs for fraud prevention tools, and officials from Michigan noted that they used the funding to hire additional fraud investigators, both using a DOL allotment to support states’ program integrity efforts. Despite these efforts, state officials said it was challenging to respond to the evolving and aggressive tactics of the perpetrators of fraud. For example, Michigan officials noted that the volume of fraud has ebbed and flowed, as fraudsters appeared to target different states in succession, and Arizona officials also noted that targeting of different UI programs appeared to shift in tandem with the state’s adoption of program integrity measures. Massachusetts officials said they had experienced fraud perpetrators boldly appealing initial claims denials by submitting falsified documents that state officials described as really good fake documents that appeared legitimate.
DOL Provided Various Supports to Help States Implement the CARES Act UI Programs and Prevent Improper Payments, but Could Have Better Responded to Customer Service Challenges

<table>
<thead>
<tr>
<th>DOL Supported States’ Implementation of the CARES Act UI Programs, but It Could Have Better Assisted States with Customer Service Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOL supported states’ implementation of the CARES Act UI programs by issuing guidance, conducting ongoing monitoring, and providing technical assistance and funding. However, states faced numerous customer service challenges due to high UI claims volumes, and DOL could have better assisted states with these challenges by sharing customer service best practices.</td>
</tr>
</tbody>
</table>

**Issuing guidance.** Between April 2020 and September 2021, DOL issued 33 guidance documents to assist states in implementing the three CARES Act UI programs (see table 2). For example, DOL issued the initial version of Unemployment Insurance Program Letter (UIPL) 16-20 for the PUA program on April 5, 2020, and subsequently issued six changes to this UIPL, clarifying aspects of program implementation and providing new guidance as statutory changes were enacted. To assist states’ implementation of the new UI programs, DOL officials said that DOL also held webinars and created a COVID-specific electronic mailbox to field questions from states about the new programs and to offer guidance. DOL officials noted that implementing and administering the CARES Act UI programs was dynamic and challenging and that they tried to meet state needs for guidance as quickly as possible, but that this also resulted in some documents needing to be clarified later. In addition, as new legislation was enacted, DOL updated program guidance. For
example, the Consolidated Appropriations Act, 2021 added several new
program integrity features to the CARES Act UI programs.68

Table 2: Department of Labor (DOL) Guidance for the CARES Act Unemployment Insurance (UI) Programs Issued between April 2020 and September 2021

<table>
<thead>
<tr>
<th>DOL guidance</th>
<th>Original publishing date</th>
<th>Date of most recent change</th>
<th>Total number of guidance documents, including changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related to all CARES Act UI programs (FPUC, PUA, and PEUC)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Insurance Program Letter (UIPL) 14-20</td>
<td>April 2, 2020</td>
<td>August 12, 2020</td>
<td>2</td>
</tr>
<tr>
<td>UIPL 23-20</td>
<td>May 11, 2020</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>UIPL 25-20</td>
<td>June 15, 2020</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>UIPL 9-21</td>
<td>December 30, 2020</td>
<td>July 12, 2021</td>
<td>1</td>
</tr>
<tr>
<td>UIPL 14-21</td>
<td>March 15, 2021</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>UIPL 19-21</td>
<td>May 4, 2021</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>UIPL 20-21</td>
<td>May 5, 2021</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Related to multiple CARES Act UI programs (PUA and PEUC)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UIPL 28-20</td>
<td>August 31, 2020</td>
<td>September 17, 2021</td>
<td>4</td>
</tr>
<tr>
<td>Related to FPUC</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>UIPL 15-20</td>
<td>April 4, 2020</td>
<td>March 26, 2021</td>
<td>5</td>
</tr>
<tr>
<td>Related to PUA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UIPL 16-20</td>
<td>April 5, 2020</td>
<td>September 3, 2021</td>
<td>7</td>
</tr>
<tr>
<td>Related to PEUC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UIPL 17-20</td>
<td>April 10, 2020</td>
<td>March 26, 2021</td>
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<tr>
<td>UIPL 24-20</td>
<td>May 14, 2020</td>
<td>April 7, 2021</td>
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<tr>
<td>UIPL 17-21</td>
<td>April 27, 2021</td>
<td>—</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>33</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DOL guidance. | GAO-22-104251

Note: This table includes the guidance for the three UI programs established by the CARES Act—Federal Pandemic Unemployment Compensation (FPUC), Pandemic Emergency Unemployment Compensation (PEUC), and Pandemic Unemployment Assistance (PUA). We also identified UIPL 10-

For example, the Consolidated Appropriations Act, 2021 generally required PUA claimants to provide documentation substantiating their prior employment or self-employment and to recertify with their state each week that they continue to meet the eligibility requirement of not being able to work as a result of COVID-19. Pub. L. No. 116-260, div. N, tit. II, §§ 241(a), 263(a), 134 Stat. 1182, 1959-1960, 1963. In addition, it required states to have procedures for identity verification and for timely payment of PUA benefits, to the extent reasonable and practicable. Pub. L. No. 116-260, div. N, tit. II, § 242(a), 134 Stat. 1182, 1960.
change in relevant to these three programs. However, we did not find the other two guidance documents in that series, UIPL 10-20 and UIPL 10-20 Change 2, as relevant to these three UI programs, and thus, we excluded this UIPL from the table. UIPL 15-20 Change 3 and Change 4, included in this table, also provided guidance for the MEUC program, in addition to FPUC. We reviewed guidance until September 2021 when FPUC, PEUC, and PUA expired. DOL may continue to issue guidance to assist states in collecting overpayments or addressing other issues related to these programs beyond September 2021.

**Ongoing monitoring.** DOL conducted ongoing monitoring of states’ implementation of the CARES Act UI programs through its six regional offices. As of September 2021, DOL officials said that the regional offices had conducted ongoing monitoring activities in a majority of states and that monitoring activities will continue in 2022. DOL worked with its regional offices to develop monitoring tools, which provide guidance and procedures for the regional offices to review states’ implementation of the CARES Act UI programs and to assess overall risk in the UI programs. As part of its ongoing monitoring, DOL’s regional offices were instructed to review specific aspects of UI, such as policies and procedures for determining weekly benefit amounts, claims taking and adjudications, appeals, information on backlogs, and a review of program integrity efforts.

According to DOL officials, DOL regional office staff use the monitoring tools to review states’ UI applications and systems and interview state agency staff on UI processes and procedures, including for the CARES Act UI programs. DOL officials said that at times, regional staff focus their review on certain areas of the UI program that appear to involve higher levels of risk, based on previous risk assessments. DOL regional office staff may also identify findings that lead them to deepen or lengthen their review of certain other areas of the UI program. DOL regional offices were also instructed to review a sample of claims, including ones that received benefits under the CARES Act UI programs, to determine whether payments were proper and whether the state had properly administered the program. For example, when reviewing PUA claims, regional offices may examine the processes a state used to determine eligibility for PUA, including whether the state had a process to check if claimants were eligible for benefits under other UI programs, such as regular UI, and thus ineligible for PUA. When the review of states’ UI claims and systems is complete, regional office staff hold a closeout meeting in which they share findings with the state agency. Regional

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69 According to DOL, staff in these six regional offices monitor programs, services, and benefits provided under UI, among other programs. As appropriate, staff in these regional offices also provide technical assistance to state and local governments and organizations that deliver UI services and benefits.
offices may provide state agencies with recommendations for corrective actions or arrangements for technical assistance, as appropriate.

During their monitoring, DOL’s regional offices found that states experienced confusion and faced challenges in implementing the PUA program, according to DOL officials. For example, DOL’s regional office staff identified issues with some states’ calculations of PUA benefit amounts. In addition, DOL officials told us that regional office staff identified instances where states did not follow DOL guidance, such as not requiring self-certification, paraphrasing the COVID-related reasons for unemployment as identified in the CARES Act, or including COVID-related reasons that did not align with the PUA guidance. According to DOL officials, DOL required states to implement corrective actions for any issues identified, and at times, required states to implement those actions retroactively.

DOL also monitors states’ UI programs by reviewing states’ estimated improper payment rates. For fiscal year 2021, DOL reported an estimated improper payment amount of $78.1 billion with an estimated improper payment rate of about 18.9 percent, according to data published by the Office of Management and Budget (OMB).

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71 To claim PUA, individuals submitted an initial application (also referred to as an initial claim) to their state to receive a determination of basic eligibility for the program. Applicants self-certify that their unemployment or inability to work was due to one of the COVID-19 related reasons identified in the CARES Act, such as their place of work being closed due to COVID-19. After the initial application, claimants completed weekly certifications of their continued eligibility for PUA and to claim benefits for the prior week of unemployment (also referred to as continued claims). See Department of Labor, Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions, UIPL 16-20 (Washington, D.C.: Apr. 5, 2020).

72 The estimated improper payment rate is developed by states through independent assessments of representative samples of paid and denied claims of UI programs, using the Benefit Accuracy Measurement (BAM) Program.

73 The estimated improper payment amount and rate include unknown payments. For the purpose of producing an improper payment estimate, when the executive agency cannot determine, due to lacking or insufficient documentation, whether a payment is proper or not, the payment shall be treated as an improper payment. 31 U.S.C. § 3352(c)(2). In this report we refer to such payments as “unknown payments.”
FPUC programs, and excludes PUA.\textsuperscript{74} Because PUA has unique and distinct eligibility requirements, DOL officials said that applying the improper payment methodology used for the regular UI program and reported on paymentaccuracy.gov is not appropriate, and instead they are exploring methods to estimate improper payments for PUA that will not be overly burdensome for states. In late February 2022, DOL reiterated its plans to submit the improper payment estimation methodology to OMB by June 2022 and to include the estimates in DOL’s fiscal year 2022 reporting.\textsuperscript{75}

**Technical assistance and funding to states.** According to DOL officials, throughout the pandemic, DOL provided states and territories with extensive technical assistance through webinars and trainings to implement the CARES Act UI programs. For example, according to DOL officials, in May 2020, DOL reviewed all states’ initial and continued claims forms and provided technical assistance to states identified as having issues that required corrections. In addition, DOL officials said that DOL provided the territories with technical assistance related to the PUA program.\textsuperscript{76} Early in the pandemic, we reported that DOL collaborated with NASWA to develop a training to help state agency staff process PUA claims.\textsuperscript{77} When the Consolidated Appropriations Act, 2021 was enacted, DOL also conducted several webinars for states and territories, according to DOL officials. DOL officials said that they responded to hundreds of questions from states through a COVID-19-dedicated email box.

DOL also provided states with funding and resources for UI program integrity efforts. DOL made three allotments of $100 million available—one in September 2020, one in January 2021, and another in August 2021—to states to address potential fraud and identity theft in the PUA and PEUC programs. DOL officials said that three of GAO’s selected states—Arizona, Florida and Michigan—used the September 2020 and January 2021 funding to, among other things, hire program integrity staff, some of whom have focused on identity theft cases or detecting and recovering overpayments. According to DOL, states have reported using

\textsuperscript{74}GAO-22-105397.

\textsuperscript{75}GAO-22-105397.

\textsuperscript{76}According to DOL, the PUA program was available in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

\textsuperscript{77}GAO-20-625.
the January 2021 funding to, among other things, engage third-party vendors to conduct fraud risk and cybersecurity assessments of states’ UI systems and subscribe to identity verification services. DOL has encouraged states to use all functionalities of NASWA’s IDH, including its identity verification service, multi-state cross-match, suspicious actor repository, foreign internet protocol (IP) address detection, and fraud alerts.

With funding provided by the American Rescue Plan Act of 2021, DOL also presented states with funding opportunities to promote equitable access to UI, ensure timely payment of benefits, and support states with fraud detection and prevention. According to DOL, these funding opportunities aim to address some of the critical challenges that states faced during the pandemic. In September 2021, DOL announced nearly $118 million in American Rescue Plan Act of 2021 funding to 45 states and territories to strengthen identity verification, enhance fraud detection, increase cybersecurity, and expand overpayment recovery efforts across all UI programs. DOL officials told us in March 2022 that DOL had provided about $134 million to 50 states and territories through American Rescue Plan Act of 2021 grants for fraud prevention and recovery.

In addition, as we reported in January 2022, DOL solicited grant applications from states for efforts to address equity issues, such as by improving access to the regular UI program for individuals with disabilities or individuals who have limited or no internet access, and improving parity

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79According to DOL officials, in total, DOL has provided states with up to $440 million in grants to assist with fraud prevention and identity verification. This total includes the funding made available through American Rescue Plan Act of 2021 grants, as well as the funding made available to address potential fraud and identity theft in the PUA and PEUC programs.
across all demographic groups and underserved populations. After receiving grant applications from 49 of 53 states and territories, DOL began awarding equity grants and as of May 2, 2022, DOL had awarded grants totaling about $56.5 million to the District of Columbia and 11 states: Alabama, Idaho, Indiana, Kentucky, Missouri, New Mexico, Oregon, Pennsylvania, Utah, Virginia, and Washington. DOL officials noted that DOL will continue to award these grants on a rolling basis. In January 2022, DOL also announced the availability of up to $15 million for selected states to participate in the American Rescue Plan Act UI Navigator Program. According to DOL, the purpose of the program is to help workers learn about, apply for, and if eligible, receive UI benefits and related services, as well as to support state agencies in delivering timely benefits to workers, especially those who have faced obstacles to accessing UI benefits in the past.

**Customer service assistance.** DOL’s guidance, monitoring, and funding were critical as states implemented the CARES Act UI programs, but as discussed, some states still faced challenges in addressing customer service issues during the pandemic. Prior to the pandemic, we documented long-standing customer service problems states experienced providing services to UI claimants. The high demand for assistance from UI claimants during the pandemic exacerbated the problems we previously reported on, such as long call wait times, website crashes, and challenges in obtaining information and application assistance from knowledgeable claims processing staff, as reported by DOL, states, NASWA officials and our discussion group participants.

Under the UI program’s federal-state partnership, helping claimants with questions about their claims is generally a state role, and DOL has had a limited role in monitoring states’ practices for customer service. For

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80GAO-22-105291. In addition to these efforts, in August 2021, DOL announced the creation of the Office of Unemployment Insurance Modernization, a temporary unit, to provide oversight and management of funding authorized by the American Rescue Plan Act of 2021 and to carry out the act’s purposes. According to DOL officials, the Office is working on a variety of initiatives with state agencies, one of which also created its own office of modernization.

81For more information about these grants, see Department of Labor, Grant Opportunity for States to Participate in the American Rescue Plan Act (ARPA) Unemployment Insurance (UI) Navigator Program, UIPL 11-22 (Washington, D.C.: Jan. 31, 2022).

example, when asked about customer service, DOL officials noted that DOL has established standards, such as standards for payment timeliness, that reflect the services claimants receive. However, DOL has a role in providing technical assistance to states, and according to DOL’s website, it is responsible for “managing strategically in order to ensure high performance, greater public accountability, service quality, and customer satisfaction.” In addition, according to Standards for Internal Control in the Federal Government management should externally communicate the necessary quality information to achieve the entity’s objectives.

Despite this limited role in customer service, DOL has started to incorporate aspects of customer service into its efforts to modernize and improve UI, but these efforts are not generally focused on developing comprehensive best practices to help states to improve service delivery. For example, we previously reported that DOL is working with the U.S. Digital Service to develop modular technology solutions, the first of which is focused on the claimant experience and may address customer service issues with accessing state IT systems. According to DOL officials, DOL began pilot testing the claimant experience module with Arkansas in late March and New Jersey in April 2022. As part of these efforts, DOL plans to define the key benchmarks associated with delivering effective customer experience for UI programs and use them to test, refine, and deploy solutions that help states improve access to UI services and to do so equitably, according to DOL officials.

In addition, DOL officials told us that DOL’s multidisciplinary teams of experts are reviewing claimants’ access to UI benefits by examining where claimant bottlenecks occur, as well as other issues related to fraud,

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85GAO-22-105291.
According to officials, the expert teams have made recommendations to states, including simplifying communication with claimants, standardizing translation services, streamlining adjudication processes, implementing fraud risk scoring capabilities, and ensuring that states are following guidance from DOL. DOL officials said they are in the process of using the teams’ findings to identify best practices and solutions for common challenges, which they plan to make available as a resource for all states. Although these best practices are expected to cover a wide range of issues, it is unclear whether they will provide comprehensive information to assist states in addressing customer service challenges. Without comprehensive information, DOL may miss opportunities to assist states in improving service delivery during periods of high demand like the pandemic.

DOL OIG and Others Have Identified Billions in Potentially Fraudulent Claims, and DOL Has Provided Resources to Assist States with UI Program Integrity Efforts

The DOL OIG, along with other federal agencies, have flagged both regular and CARES Act UI programs as high risk and identified billions of dollars in potentially fraudulent payments throughout the pandemic. To assist states in preventing and detecting improper payments, including those due to fraud, DOL provided resources to NASWA’s IDH and took many other actions. However, we previously reported that DOL has not taken actions to comprehensively assess fraud risks in alignment with leading practices identified in GAO’s Fraud Risk Framework.

**DOL OIG efforts.** Through its investigative work, DOL OIG identified a total of about $17 billion in potential fraudulent payments from March

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86According to DOL, these teams review selected states’ processes and develop recommendations based on their reviews. DOL officials said that, as of March 2022, 12 states—Alabama, Colorado, Connecticut, Iowa, Kansas, Kentucky, Nebraska, Nevada, Pennsylvania, Virginia, Washington, and Wisconsin—had received assistance from these multi-disciplinary teams of experts in fraud, timeliness, technology and equity. DOL officials said these teams began working with six more states between January and March 2022: Arizona, Delaware, Illinois, Michigan, New Hampshire, and Oregon. See GAO-22-105397. DOL is also providing funding opportunities to states involved in these reviews to implement the recommendations identified. See Department of Labor, Grant Opportunity to Support States Following a Consultative Assessment for Fraud Detection and Prevention, Promoting Equitable Access, and Ensuring the Timely Payment of Benefits, including Backlog Reduction, for all Unemployment Compensation (UC) Programs, UIPL 2-22 (Washington, D.C.: Nov. 2, 2021).

87GAO-22-105051.
DOL OIG continues to investigate potential fraud and is reviewing the UI programs through its ongoing audits, which focus on, among other things, detection and recovery of overpayments; the adequacy of state IT resources; and state staffing sufficiency.

DOL OIG has raised concerns with potential fraud in the UI programs through its numerous reviews since the beginning of the pandemic. From April 2020 through August 2021, DOL OIG issued nine reports, highlighting concerns related to UI during the pandemic and making numerous recommendations to DOL for corrective action. For example, in August 2020, DOL OIG’s review of the CARES Act UI programs found, among other things, that DOL was leveraging existing tools to combat potential fraud but that more needed to be done to ensure existing tools are effectively and sufficiently used by states.

DOL OIG also identified specific issues with the PUA program that could make it more vulnerable to fraud. In May 2020, it reported concerns regarding the PUA program’s reliance on self-certification to determine program eligibility, which allowed individuals to receive PUA benefits immediately after self-certifying that they lost employment income due to a COVID-19 related reason. Reliance on such self-certifications rendered PUA highly vulnerable to improper payments and fraud, according to DOL OIG. In October 2020, DOL OIG issued a subsequent report that found that states reported challenges when implementing the PUA program and

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88This amount differs from what we have previously reported due to clarification we received from the DOL OIG in May 2022. DOL OIG has investigated potential UI fraud by collecting and analyzing state UI claims data. The DOL OIG analyzed the state UI claims data along with other datasets to identify potentially fraudulent claims, which included payments made to individuals with social security numbers filed in multiple states, individuals with social security numbers of deceased persons or federal inmates, and individuals with suspicious email accounts. See Department of Labor Office of Inspector General, Alert Memorandum: The Employment and Training Administration Needs to Issue Guidance to Ensure State Workforce Agencies Provide Requested Unemployment Insurance Data to the Office of Inspector General, 19-21-005-03-315 (Washington, D.C.: June 16, 2021).


detecting and deterring potential fraud.\textsuperscript{91} In its response to this report, DOL said it shared DOL OIG’s concerns regarding potential fraud in the PUA program, which arose from the self-certification eligibility process as established under the CARES Act and further noted that the PUA program’s legal structure made it vulnerable to fraud.\textsuperscript{92} For this reason, DOL took actions to address improper payments and fraud in the UI system and planned on expanding on these efforts, according to DOL.

\textbf{Secret Service and Department of Justice efforts.} In addition to DOL OIG, other entities have conducted investigations of potential UI fraud during the pandemic. As previously reported, in coordination with DOL OIG and various federal, state, and local partners, from the start of the pandemic through May 2021, the U.S. Secret Service initiated more than 690 potential UI fraud investigations and inquiries and seized more than $640 million in potentially fraudulent funds.\textsuperscript{93} In addition, we previously reported that the Department of Justice has publicly announced charges in numerous fraud-related cases involving the COVID-19 relief programs, including UI. We previously reported that from March 2020 through January 2022, 146 individuals and entities pleaded guilty to federal fraud-related charges related to the UI programs.\textsuperscript{94}

\textbf{DOL efforts.} DOL has provided funding to the NASWA UI Integrity Center and IDH, which assists states with combatting potential fraud and improving program integrity. Throughout the pandemic, states increased their utilization of the IDH to identify potential fraud in the UI system. For example, as we previously reported, DOL officials told us that, as of February 19, 2021, 33 states were sending their UI claimant data to the IDH for cross-matching with other states’ claims data and 22 states were using the IDH’s third-party identity verification services. As of March 2022, DOL officials said that 43 states were sending UI claims for cross-matching, and 34 states were using the identity verification services.


\textsuperscript{93}GAO-21-551.

\textsuperscript{94}GAO-22-105397.
According to DOL officials, all 53 states have executed an agreement to participate in IDH cross-matching and participate in the IDH’s Fraud Alerting capability. In addition to the resources offered through the IDH, NASWA’s UI Integrity Center also provides states with program integrity technical assistance, training, and a library of digital resources.

DOL has taken a variety of other actions to assist states with preventing and detecting potential fraud. For example:

- In September 2020, the Secretary of Labor sent letters to governors requesting their leadership to implement key strategies to prevent and detect fraud in the UI system. During that same month, DOL hosted a call with state workforce agencies to discuss the importance of addressing UI fraud.

- In November 2020, DOL officials told us the agency continued to monitor states’ claims numbers to help states detect cases of potential fraud. DOL officials also said they increased conversations with banking institutions, which are identifying potential fraud through data analytics and working with states to recover UI overpayments.

- In March 2021, DOL launched a website to help the public better understand UI identity theft. The website provides resources for those who may have been victims of identity theft, including a list of contacts for each state and territory to report UI identity theft.

- In April 2021, DOL issued guidance highlighting the importance of states’ identity verification efforts to stop potentially fraudulent UI claims. The guidance outlines procedures that states must take when processing claims and determining UI eligibility in cases where an individual’s identity is in question.

- In May 2021, DOL issued guidance encouraging states to work with financial institutions to detect suspicious activity, ensure that accounts are not unduly suspended, and recover overpayments.

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guidance also establishes instructions for banks and financial institutions on how to return recovered overpayments, such as in instances when the recovered funds span multiple states.

- In September 2021, DOL published instructions for states on how to access identity verification services provided by three vendors.  

- In October 2021, DOL released guidance announcing the availability of a data exchange with the Social Security Administration’s Prisoner Update Processing System. After taking required steps to access this data system, states can cross-match UI claims data against the prisoner data system to help determine UI eligibility, which may help prevent and detect fraud.

Throughout the pandemic, DOL also coordinated with the DOL OIG to ensure states were actively working with the OIG and other federal law enforcement entities to address fraud. For example, we previously reported that DOL officials said they meet regularly with DOL OIG to discuss emerging UI fraud issues, streamline communication with states, and coordinate fraud prevention and recovery efforts.

**GAO findings.** We have also reported on fraud risks in the UI programs, including applicants’ falsifying information on income or employment eligibility to receive benefits, applicants’ using stolen identities or personally identifiable information to apply for or receive benefits, and applicant’s applying for or receiving benefits by using fake identity

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100In February 2021, DOL OIG issued an alert memorandum that identified that the social security numbers of about 13,000 potentially ineligible federal prisoners were used to file claims equaling more than $98 million in UI benefits. See DOL OIG, *Alert Memorandum: The Employment and Training Administration (ETA) Needs to Ensure State Workforce Agencies (SWA) Implement Effective Unemployment Insurance Program Fraud Controls for High Risk Areas*, 19-21-002-03-315 (Washington, D.C.: Feb. 22, 2021).

101GAO-22-105051.

102GAO-22-105051.
In October 2021, we made several recommendations that DOL take actions to comprehensively assess UI fraud risks in alignment with leading practices identified in GAO’s Fraud Risk Framework, which by law must be incorporated in guidelines established by the OMB for agencies. In response to one of our recommendations, in its December 2021 Statement of Executive Action, DOL reiterated that its Chief Financial Officer and the DOL ETA’s Assistant Secretary are responsible for risk management in the UI program. In April 2022, DOL officials stated that they are in the process of formally documenting this designation and these officials’ antifraud responsibilities, consistent with GAO’s Fraud Risk Framework. In February 2022, DOL reiterated that it will incorporate the recommended practices and approaches from the Fraud Risk Framework in its risk assessment activities as it moves forward. As of late April 2022, these recommendations remain open. We continue to monitor DOL’s fraud risk assessment activities and have ongoing work in this area.

As we discussed, states faced numerous challenges while quickly implementing the new CARES Act UI programs, including low staffing levels, IT limitations, frequently changing federal guidance, and program integrity issues. DOL and states could not have anticipated many of these challenges due to the changing nature and length of the pandemic. DOL often acted reactively to the changing pandemic environment, causing states to do so as well, which at times led to inefficiencies in program implementation and oversight. The rush to implement new programs and then continuously adjust state systems to program changes as quickly as possible may have led to improper payments.

As discussed, DOL has taken steps to address some of the challenges states faced during the pandemic through technical assistance and funding made available by the American Rescue Plan Act of 2021. Nevertheless, DOL has not completed an assessment of its response to the pandemic or started planning for future emergencies. The Department of Homeland Security’s National Response Framework provides a scalable, flexible guide for how all levels of government respond to disasters and emergencies, including pandemics. The framework

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103 GAO-22-105051.

104 For a full list of our recommendations related to fraud risk management, see GAO-22-105051.

states that, at a minimum, federal agencies should have department- or agency-level operational plans that address the execution of their roles and responsibilities in support of disaster response, and agencies should develop lessons learned to assist their future efforts. In addition, the framework states that the national response to disasters depends on the ability of all levels of government, among others, to act decisively and proactively for incidents that may expand rapidly in size, scope, or complexity and occur without warning.

DOL supports the National Response Framework and disaster response efforts through its Disaster Unemployment Assistance (DUA) and UI programs. According to DOL officials, DOL has continuity of operations plans that it operated under throughout the pandemic. And DOL has also conducted efforts to assist states in preparing for future emergencies. For example, DOL officials said that shortly before the pandemic, DOL provided states with a planning resource to assist them in preparing for surges in claims volumes to prepare for the next recession. Agency officials said that DOL acknowledged the nation was experiencing a period of growth and they wanted to assist states with preparations for the next economic swing. The recession planning resource encourages states to consider various topics, including staffing, technology, communication, and service delivery, when planning and preparing for recessions. However, according to DOL officials, because this resource was shared shortly before the pandemic, states did not have time to fully utilize it. And as evidenced by the pandemic, DOL and states were unprepared for the surge in claims while simultaneously working to implement the new CARES Act UI programs. DOL officials also acknowledged that DOL does not have a long-term permanent emergency benefits program, lacks authority to create such a program, and has had to rely on Congress to develop ad hoc programs to address national emergencies. Agency officials said that operating in this manner makes it difficult to plan and think about how to respond to the next emergency.

In March 2022, DOL officials said they had not started to assess lessons learned from the pandemic, which could help prepare the UI system for

106DOL is a supporting agency for mass care services, a key emergency support function, within the National Response Framework. Agencies that support mass care services coordinate and provide life-sustaining resources, essential services, and statutory programs. DUA provides financial assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major declared disaster and who are ineligible for regular UI. The UI program provides a vital safety net during economic downturns.
future emergencies, because DOL was still responding to the pandemic. By May 2022, according to DOL, the Department had begun to assess and share lessons learned from the pandemic. Until a review of lessons learned from the pandemic is completed, DOL and states may not be well positioned to address future emergencies that may expand rapidly or without warning and may face challenges similar to those experienced during implementation of the CARES Act UI programs with the next emergency.

Overall, the 30 empirical studies included in our literature review showed that an expansion of UI programs during adverse times, such as the Great Recession of 2007-2009 and the COVID-19 pandemic, created overall economic stability, prevented detrimental outcomes from worsening, and had a limited effect on workers’ incentives to return to work. Appendix IV provides a more detailed discussion of findings from the studies we reviewed and appendix V provides a list of the studies reviewed.

Among the 30 empirical studies included in our literature review, six measured the benefits of UI expansion and found that an expansion of UI programs during adverse times, such as the Great Recession of 2007-2009 and the COVID-19 pandemic, helped maintain economic stability and prevented detrimental outcomes from getting worse.

**Stabilized economy overall.** UI expansion during economic crises helped create overall economic stability by helping to maintain consumer spending and may even have increased aggregate spending during the pandemic. The studies in our review explained that by maintaining aggregate demand in the economy, expanded benefits acted as an automatic stabilizer by limiting reductions in expected revenue of firms and further reductions in jobs offered. In addition, according to the authors, the extra income from expanded UI benefits was particularly

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107Aggregate spending refers to total spending on all goods and services in the economy. Aggregate demand shows the quantity demanded for all goods and services at the existing price levels.
important for families who did not have alternative income sources or personal savings during periods of high unemployment or sufficient access to other income transfer programs.108

- Studies included in our literature review analyzed real-time data during the pandemic and found that the UI expansion helped sustain consumer spending to some extent and that it would have been lower than what is was had UI not been expanded. For example, one of the studies found that total spending during this time period was about 2.0 to 2.6 percent higher as a result of the UI benefit expansions.109

- Another study conducted during the Great Recession found that the UI expansions acted as an automatic stabilizer for the housing market.110

Prevented worsening of detrimental outcomes. A few of these selected studies demonstrated how expanded UI prevented worsening of detrimental outcomes in families’ consumption and financial insecurity. For example, studies conducted during the pandemic noted that specific occupations, such as service-oriented or low-paying occupations in the restaurant industry, experienced more layoffs and reductions in hours than occupations in other industries. The studies added that because these low-wage occupations disproportionately employ people of color or women, UI expansion likely also prevented existing inequities among this group from getting worse. Studies also showed that in the absence of

108The authors of this study claim that “UI may also serve as a substitute for other income transfer programs (e.g., food stamps, retirement benefits, disability benefits, and cash welfare) by providing temporary income support during unemployment spells, thereby alleviating the need to participate in these other programs.” See Jesse Rothstein and Robert G. Valletta, “Scraping By: Income and Program Participation after the Loss of Extended Unemployment Benefits,” Journal of Policy Analysis and Management 36, no. 4 (2017).


110This study evaluated the impact of UI expansions on delinquencies, foreclosures, and home values after controlling for state-level economic conditions and household characteristics. Their results showed that a $3,600 increase in maximum extended UI benefits was associated with a twelve percent decline in layoff-related increase in delinquency and nearly 15 percent of the layoff-related increase in foreclosures. See Joanne W. Hsu, David A. Matsa, and Brian T. Melzer, “Unemployment Insurance as a Housing Market Stabilizer,” American Economic Review 108, no. 1 (2018).
expanded UI, poverty levels would have been higher during the Great Recession and the pandemic.

- One study, for example, analyzed the pandemic’s effects on families by race and ethnicity and found that the expanded UI and other forms of cash assistance included in the CARES Act had the biggest positive impact on Black and Hispanic or Latinx families’ financial security.  

- Another study found that the differences in poverty rates between Black and Hispanic individuals relative to White individuals were magnified during the pandemic and after the expiration of the FPUC $600 per-week unemployment supplement. This study also found that the CARES Act UI programs effectively blunted a rise in poverty rates during the pandemic.

Our review of 13 studies that empirically analyzed the relationship between UI expansion and workers’ incentives to return to work found that expansion in UI had limited effects on workers willingness to return to work, and that other factors may explain the low levels of employment observed during adverse times when UI is also expanded.

**Empirical Analyses Show That UI Expansion Had Limited Negative Effects on Workers’ Incentives to Return to Employment**

**Limited negative effects on workers’ incentives to return to work.**
The studies we reviewed found limited disincentive effects in that studies either found that expanded UI had no disincentive effects or if they found some effect it was limited to a small group of workers.

- Specifically, eight studies we reviewed found that expanded UI benefits either during the pandemic or the Great Recession had no effect on workers’ incentives to return to work. For example, three of these studies analyzed earnings data for hourly waged restaurant workers and food industry employees during the current pandemic and found no evidence of a relationship between high-earnings...

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111This study used data from the Survey of Consumer Finances, which reports a household’s mortgage payments, rental payments, property taxes, home insurance, condo fees, vehicle lease and loan payments, student loan payments, credit card payments, other/miscellaneous debt payments, and spending on food. See Neil Bhutta, Jacqueline Blair, Lisa Dettling, and Kevin Moore, “COVID-19, The CARES Act, and Families’ Financial Security,” *National Tax Journal* 73, no. 3 (Sept. 2020).

replacement rates from expanded UI benefits—meaning the amount of pre-pandemic earnings that UI benefits covered—and declines in employment.\textsuperscript{113}

- Four found some disincentive effects but these were limited to a certain group of workers. For example, one of the studies found that after separating workers of different skills, occupations, and across U.S. states the $600 FPUC benefit had moderate disincentive effects on job-finding rates, but only for a small share of job seekers, such as janitors or workers in food service occupations.\textsuperscript{114}

Studies explained that results showing limited disincentive effects are understandable because workers usually make dynamic and not static decisions about employment. In other words, workers consider factors such as the limited duration of benefits, loss of the option to return to their previous job, time required to find a new job, and the prospect of permanently lower wages after the career setback of being unemployed in a recession.\textsuperscript{115}

Other factors affecting employment. Some studies included in our review explored factors other than disincentive effects that could be influencing the relationship between expansion of UI and high unemployment observed during the pandemic and the Great Depression.

\textsuperscript{113}They used data from Homebase, which is a private firm that provides scheduling and time clock software to small businesses, covering hundreds of thousands of workers across the U.S. and Canada. Homebase’s clients are primarily small firms that require time clocks for their day-to-day operations, nearly half of which are in the food and drink industry. Workers are predominantly hourly, not salaried, employees.


These studies found that factors such as longer labor force attachment, reduced demand for labor, or fear of risk of illness, as well as loss of childcare could have been responsible for high levels of unemployment observed during these adverse times; times during which UI may also be expanded. The studies included in our review also found that UI expansion may enable people to wait longer or search more and potentially find jobs better matched to their skill level. For example, one study found that increasing the generosity of UI improved the quality of employee-employer matches because the expanded UI allowed workers to search longer and eventually find jobs better suited to their skills and ones where they were no longer over-educated. That is, the UI benefits did not create a disincentive to work per se but created an opportunity to find jobs better matched with employee skills. The study also found that this effect was greater for women, minorities, less educated, and older workers, all of whom are more likely to be credit constrained. The authors state that this could potentially increase the general welfare by improving the functioning of the labor markets.

In the twelve discussion groups we held across six states, some participants shared experiences and observations that are consistent with the findings of the empirical studies that we reviewed. For example, according to the studies, the CARES Act UI programs helped maintain spending and stabilize the economy. This was echoed in the experiences of participants in all 12 of our discussion groups who said that they used the CARES Act UI benefits to pay for expenses such as food, rent, utilities, and health care expenses, and in seven of the groups, recipients said they used the benefits for child care expenses. Other participants noted that the CARES Act UI programs helped them maintain spending.

Some Discussion Group Participants Shared Experiences and Observations That Are Consistent with the Findings of Our Empirical Studies

116 According to economic theory, high levels of unemployment observed when UI is expanded could either be due to supply-side factors such as disincentives to return to work or reduced efforts to search for jobs among those receiving these benefits; or it could be due to demand side factors such as a reduction in vacancies as firms go out of business or downsize during a recession. As already described above, empirical studies show that UI expansion resulted in limited disincentive effects on workers’ return to employment.

and stabilized their own finances and credit, prevented the loss of housing and were essentially a “lifesaver.”

In addition, a few participants took the opportunity to describe a range of factors that affected their decisions about returning to work, such as their age, availability of work, social distancing and other practices at potential workplaces, and the availability of safe and appropriate child care and school environments.

From the spring of 2020 to the fall of 2021, DOL and the selected states quickly took action to oversee and implement the UI programs established by the CARES Act, including actions to implement changes during the programs’ extensions. States faced an unprecedented surge in UI claims during the pandemic, which taxed their ability to implement CARES Act UI programs quickly, address customer service issues, and respond to other issues to support claims processing and pay benefits in a timely manner. In particular, customer service challenges were especially acute during the pandemic, with claimants experiencing exceptionally long call wait times and challenges in reaching knowledgeable staff to help them. Nevertheless, the states distributed over $600 billion in federal assistance to claimants related to the CARES Act UI programs throughout the pandemic. However, states were confronted by fraud that was both persistent and dynamic, according to officials in three states, and faced challenges in ensuring payment timeliness, as our analysis shows. Indeed, the UI system has rarely faced the need to get aid to so many so quickly while simultaneously combating fraud.

DOL issued guidance and provided funding to assist states in implementing the CARES Act UI programs. However, states still faced challenges in addressing customer service issues. While DOL plans to share customer service best practices and solutions with states, it is unclear whether this information will address customer service in a comprehensive way to position states to address the customer service issues they may face during other periods of surging claims.

While our analysis of the discussion group transcripts focused on the participants’ responses to scripted questions presented by our moderators, on issues such as their experiences with accessing UI benefits and customer service, it also included some comments that discussion group participants volunteered. The comments referenced in this section include comments that were volunteered during the discussion groups but outside of the scripted questions.
In addition, although the pandemic was unanticipated, past disasters and the potential for future national crises demonstrate the importance of assessing lessons learned from the pandemic to prepare for future disasters or emergencies, in which the UI system may be called on to play a similar role. In starting a UI modernization effort, DOL has taken a critical first step to addressing the challenges facing the UI system. As part of that effort, it is critical that DOL provide states with comprehensive best practices to assist states in improving customer service and assessing lessons learned to better plan for future crises. Without these efforts, DOL and the states may be just as overwhelmed when the next emergency strikes, leading to more challenges not only for them, but the people they aim to serve.

We are making the following two recommendations to DOL:

The Secretary of Labor should ensure that the Office of Unemployment Insurance review the customer service challenges that states faced during the pandemic, identify comprehensive information on customer service best practices, and provide states with this information to assist them in improving service delivery. (Recommendation 1)

The Secretary of Labor should ensure the Office of Unemployment Insurance assesses lessons learned from the pandemic to inform its future disaster response efforts and support the Congress on ways to address future emergencies. (Recommendation 2)

We provided a draft of this product to the Department of Labor (DOL) for review and comment. DOL provided written comments, which are reproduced in appendix VI. DOL also provided technical comments, which we incorporated as appropriate.

DOL noted several challenges in implementing the pandemic UI programs, including the lack of time to prepare for implementation of the UI programs after their enactment. DOL noted the extremely challenging environment for states, with unprecedented claims volumes and efforts to implement new and complex benefit programs, as well as an expectation of benefit payments immediately following enactment, among other challenges.

DOL partially agreed with our first recommendation regarding customer service, stating that the Department already has a number of efforts underway designed to improve the unemployment insurance (UI) claimant experience and the timely delivery of UI benefits and services to eligible
workers. For example, DOL stated that it offers grants to states for activities to promote equitable access to UI programs, and has an effort underway to support state pilot projects regarding service delivery, among other efforts. We believe that these efforts are important and could help DOL to provide states with information to assist them in improving the customer service experience.

DOL agreed with our second recommendation on assessing lessons learned from the pandemic to inform future disaster response efforts, stating that such efforts are underway and will continue. We agree that DOL’s efforts to learn from states’ challenges during the pandemic could help inform future disaster response efforts.

We also provided excerpts of this report to officials from Arizona, Florida, Massachusetts, Michigan, Minnesota, and Wyoming for review and comment and made technical corrections as needed.

If you or your staff have any questions about this report, please contact me at 202-512-4769 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. GAO staff who made major contributions to this report are listed in appendix VII.

Thomas Costa
Director, Education, Workforce, and Income Security
Congressional Requesters

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Patty Murray
Chair
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chairman
The Honorable Rob Portman
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Rosa L. DeLauro
Chair
The Honorable Kay Granger
Ranking Member
Committee on Appropriations
House of Representatives
Congressional Requesters Continued

The Honorable Robert C. “Bobby” Scott
Chairman
The Honorable Virginia Foxx
Republican Leader
Committee on Education and Labor
House of Representatives

The Honorable Frank Pallone, Jr.
Chairman
The Honorable Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce
House of Representatives

The Honorable Bennie G. Thompson
Chairman
The Honorable John Katko
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman
The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Richard Neal
Chairman
The Honorable Kevin Brady
Republican Leader
Committee on Ways and Means
House of Representatives
Congressional Requesters Continued

The Honorable Kathy Castor
House of Representatives

The Honorable Charlie Crist
House of Representatives

The Honorable Val B. Demings
House of Representatives

The Honorable Theodore E. Deutch
House of Representatives

The Honorable Lois Frankel
House of Representatives

The Honorable Al Lawson
House of Representatives

The Honorable Stephanie Murphy
House of Representatives

The Honorable Darren Soto
House of Representatives

The Honorable Debbie Wasserman Schultz
House of Representatives

The Honorable Frederica S. Wilson
House of Representatives
Appendix I: Objectives, Scope, and Methodology

This report examines: (1) challenges selected states reported in implementing the CARES Act Unemployment Insurance (UI) programs, and actions they took to address those challenges; (2) how the Department of Labor (DOL) has supported and monitored states’ implementation of the CARES Act UI programs, including detection and prevention of improper payments; and (3) what is known about the economic effects of the expansion of UI benefits for individuals and the economy during adverse times. We employed multiple methodologies to conduct our work, including site visits, discussion groups, and a literature review.

Site Visits and Discussion Groups

For our first two review objectives, we reviewed relevant federal laws, regulations, and guidance, and interviewed officials of DOL and its Office of Inspector General, and National Association of State Workforce Agencies (NASWA) officials, which represents state UI agencies. We also selected six states (Arizona, Florida, Massachusetts, Michigan, Minnesota, and Wyoming) for site visits, to reflect diverse conditions based on a range of characteristics, including average unemployment rate for April to July 2020; COVID-19 cases per capita as of July 31, 2020; varying stages of UI agency IT modernization; reported improper payment rate (July 2016 to June 2019); and timeliness of benefit payments in the regular UI program (April through June 2020). For these states, we conducted interviews with a number of different officials and held discussion groups during our site visits (See table 3.)

Table 3: Summary of Interviews and Discussion Groups Conducted in Site Visit States

<table>
<thead>
<tr>
<th>State</th>
<th>State UI officials</th>
<th>State Attorney General Offices</th>
<th>Advocacy organizations</th>
<th>Discussion groups with UI recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>√</td>
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<tr>
<td>Florida</td>
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<td>Massachusetts</td>
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<tr>
<td>Michigan</td>
<td>√</td>
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<tr>
<td>Minnesota</td>
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<td>√</td>
<td>√</td>
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<tr>
<td>Wyoming</td>
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<td>—</td>
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<td>√</td>
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</tbody>
</table>

Source: GAO interviews with state unemployment insurance (UI) agency officials, state attorney general offices, advocates for UI claimants, and discussion groups with UI recipients.  

For Arizona and Florida, we also interviewed advocates for Spanish-speaking UI claimants about those claimants’ experiences in applying for and receiving benefits.

Officials of the Florida Office of Attorney General told us that it only prosecutes cases that cross county lines, and all other cases are prosecuted at the local level.
Appendix I: Objectives, Scope, and Methodology

According to officials of Minnesota’s UI agency, the state attorney general plays no role in prosecuting UI fraud, the Bureau of Criminal Apprehension, within the Department of Public Safety, can issue arrest warrants when the state UI agency identifies fraud, and prosecutions are conducted by district attorneys at the county level.

We were unable to identify an organization that advocates for unemployment insurance claimants in Wyoming.

In our interviews with selected state UI program officials, we asked about the challenges they faced in implementing the CARES Act UI programs and addressing program integrity issues, including the tools they used to prevent and detect improper payments, and their observations about the guidance and assistance they received from DOL. In our interviews with officials of state attorney general offices, we asked about their efforts to investigate and prosecute UI fraud and any related challenges, and their relationship with the state UI agency and tools used to detect fraudulent claims and prevent improper payments. We also asked about their coordination with other state and federal agencies, and their observations about forms of fraud that appear to pose the greatest risk. In our interviews with advocacy organizations, we asked about their observations about claimants’ experiences with applying for UI benefits and receiving assistance with their claims, including issues related to language access, as well as their observations about any ways in which their state’s UI program is currently working well. In addition, in two states—Arizona and Florida—we interviewed advocates for Spanish-speaking claimants about their experiences.

To learn about recent UI recipients’ experiences related to applying for UI benefits, receiving timely benefit payments, and obtaining assistance with their claims, we conducted 12 virtual non-generalizable discussion group sessions in all six selected states (two in each of the six states), using a contractor to recruit and screen participants. Specifically, we stipulated that potential participants must have applied for and received UI benefits in their respective states between March 2020 and March 2021. In selecting discussion group participants, we considered demographic characteristics—such as race, ethnicity, gender, and age—with the goal of achieving diversity on these characteristics, to the extent possible. (See app. II for a summary of the characteristics of discussion group participants.) We conducted these discussion group sessions virtually from May through June 2021.

These sessions involved structured small-group discussions that were guided by a moderator who used a standardized list of questions to encourage participants to share their thoughts and experiences. The sessions were designed to gain more in-depth information about specific
issues that could not easily be obtained from another method, such as a survey or individual interviews.

Our overall objective in using a discussion group approach was to obtain views, insights, and feelings of UI recipients who had filed claims within the last 12 months. Specifically, we wanted to learn about their experiences in applying for UI, the amount of time it took to receive the first payment, and their experiences in seeking assistance with their claims from the state UI agency. In addition, we asked participants about aspects of their experience in applying for benefits that worked well, their strategies for coping until they received benefits, how they used their UI benefits, how their total UI benefit compared to their income before becoming unemployed, and whether their benefits were sufficient to meet their financial needs. By including UI recipients who varied according to age, gender, race, income, and economic sector, we intended to gather a range of perspectives regarding their experiences with states’ UI programs.¹

Each of the 12 discussion groups was recorded and transcribed. We conducted a content analysis of these transcripts to identify similarities and differences across participants’ responses to each discussion question, by subtopic. Our method of organization for the content analysis was to develop codes that reflected objective subtopics of each discussion group question, using these subtopic codes to organize participants’ responses for further analysis. We identified key themes across responses, as well as illustrative examples of these key themes. Given that participants shared a wide variety of experiences, we also identified examples that were mentioned less frequently, including information that was provided in a subset of the discussion groups, but that illustrated this variation in responses across participants. Additionally, while our analysis focused on the participants’ responses to scripted questions, it also included some comments that they volunteered. This content analysis was conducted by one analyst and verified by a second analyst. These two analysts discussed any differences of opinion and reached agreement on the key themes and illustrative examples that best represented the similarities and differences in the experiences shared by discussion group participants.

¹Participants reported having worked in various sectors before becoming unemployed, such as hospitality (accommodations and restaurants), retail or wholesale trade, construction, transportation and warehousing, manufacturing, education, and health care.
While discussion groups can provide valuable insights on the views of participants, the ability to project the information produced by our discussion groups onto other UI recipients' experiences is limited for several reasons. First, the information includes only the responses from a relatively small number (73 in total) of recent UI recipients from the 12 selected groups from the six selected states. Second, while the composition of the groups was designed to ensure a range of age, gender, and ethnicity, the groups were not randomly sampled. Third, participants were asked questions about their experiences, and other UI recipients not in the discussion groups may have had other experiences. Because of these limitations, we did not rely entirely on discussion groups, but rather used several different methods to corroborate and support our conclusions.

Assessing the Reliability of DOL and State Data

To examine certain data related to UI, such as trends in weekly initial claims and payment timeliness, we used data from DOL’s Unemployment Insurance Database, which includes data reported to DOL by states. To assess the reliability of the data, we reviewed our previous data reliability assessments on this data set, including information on data uses, internal controls, and data entry practices. We determined that these data were sufficiently reliable for the analytical purposes of this report. Additionally, for information on state UI agency staffing levels, we obtained the relevant data from state UI agency officials during our site visits, and asked those officials about the source of these data and any potential issues related to our use of those data in this report. Additionally, we received estimates from two states on the amount of potentially fraudulent payments they prevented through the use of identity verification methods, and asked state officials how they developed these estimates. We determined that these data were also sufficiently reliable for the analytical purposes of this report.

Literature Review

To address our third objective, we conducted a literature review to identify key government, industry, and academic studies examining expansions of UI during adverse times. We searched relevant databases, such as ProQuest, ECONlit, Scopus, and Dialog to identify scholarly and peer-reviewed research, working papers, government reports, trade and industry articles, as well as association and nonprofit publications, published in the last 20 years. The search terms we used included variations of “unemployment,” or “jobless” combined with “benefit” or
other forms of compensation, and pandemics, natural disasters, and economic downturns. In addition, we included articles recommended by GAO economists and analysts with a similar research focus.

From our initial search that yielded over 500 articles, we identified 65 for further in-depth review based on our criteria, such as academic publication, data analysis, and focus on the United States as the country of analysis. After the in-depth review, we determined that 30 studies fulfilled our criteria for inclusion in our literature review. These in-depth reviews entailed an assessment of each study’s research methodology, including its data quality, research design, and analytic techniques, as well as a summary of each study’s major findings and conclusions. We also assessed the extent to which each study’s data and methods supported its findings and conclusions. We based our data collection and assessment on generally accepted social science standards.

We conducted this performance audit from March 2020 to June 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
This appendix summarizes the self-reported characteristics collected by our discussion group recruiting firm of the 73 individuals who participated in our 12 discussion groups.

**Demographics.** Overall, the 12 discussion groups included both male and female participants, with nearly double the female than male participants. One participant identified as non-binary. More than half of the participants (47 of 73) ranged in age from 18 to 40. Most participants reported their race as either Black (32) or White (29). The remaining 12 participants identified themselves as Hispanic/Latino, Asian, American Indian/Alaska Native, or mixed race.

Other selected characteristics of discussion group participants are detailed in the following tables.

### Table 4: Discussion Group Participant Characteristics: Race and Ethnicity

<table>
<thead>
<tr>
<th>Race and ethnicity of participants</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Indian or Alaska Native</td>
<td>2</td>
</tr>
<tr>
<td>Asian</td>
<td>2</td>
</tr>
<tr>
<td>Black or African American (Not Hispanic or Latino)</td>
<td>32</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>7</td>
</tr>
<tr>
<td>Mixed Race</td>
<td>1</td>
</tr>
<tr>
<td>White or Caucasian (Not Hispanic or Latino)</td>
<td>29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: Data self-reported by discussion group participants to GAO discussion group recruiting firm. | GAO-22-104251

### Table 5: Discussion Group Participant Characteristics: Number of dependents

<table>
<thead>
<tr>
<th>Number of dependents</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
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<td>0</td>
<td>26</td>
</tr>
<tr>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>2</td>
<td>22</td>
</tr>
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<td>3</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: Data self-reported by discussion group participants to GAO discussion group recruiting firm. | GAO-22-104251
### Appendix II: Characteristics of Discussion Group Participants

**Table 6: Discussion Group Participant Characteristics: Industry Sector Before Becoming Unemployed**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality (accommodations and restaurants)</td>
<td>10</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>8</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
</tr>
<tr>
<td>Retail or wholesale trade</td>
<td>8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6</td>
</tr>
<tr>
<td>Services (other)</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
<tr>
<td>Education</td>
<td>5</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>4</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>4</td>
</tr>
<tr>
<td>Services (professional, scientific, and technical)</td>
<td>3</td>
</tr>
<tr>
<td>Health care</td>
<td>2</td>
</tr>
<tr>
<td>Information</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: Data self-reported by discussion group participants to GAO discussion group recruiting firm. | GAO-22-104251

**Table 7: Discussion Group Participant Characteristics: Income before Becoming Unemployed**

<table>
<thead>
<tr>
<th>Reported income category</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000 or more</td>
<td>8</td>
</tr>
<tr>
<td>$75,000 to just below $100,000</td>
<td>13</td>
</tr>
<tr>
<td>$50,000 to just below $75,000</td>
<td>12</td>
</tr>
<tr>
<td>$25,000 to just below $50,000</td>
<td>30</td>
</tr>
<tr>
<td>Under $25,000</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: Data self-reported by discussion group participants to GAO discussion group recruiting firm. | GAO-22-104251
Appendix II: Characteristics of Discussion Group Participants

Table 8: Discussion Group Participant Characteristics: Number of Weeks of CARES Act Unemployment Insurance Program Benefits Received

<table>
<thead>
<tr>
<th>Number of CARES Act UI benefit weeks received</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10</td>
<td>24</td>
</tr>
<tr>
<td>11 to 20</td>
<td>8</td>
</tr>
<tr>
<td>21 to 30</td>
<td>11</td>
</tr>
<tr>
<td>31 to 40</td>
<td>9</td>
</tr>
<tr>
<td>41 and up</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Source: Data self-reported by discussion group participants to GAO discussion group recruiting firm. | GAO-22-104251
This appendix provides a timeline of selected events from January 2020 to December 2021, including enactment, extension, and expiration of key programs; issuance of selected Department of Labor (DOL) guidance documents; and selected dates related to program integrity. During this time period, as shown in the figure, the CARES Act UI programs were augmented by other programs of limited scope or duration.

![Figure 3: Selected Events Related to CARES Act UI Programs, January–December 2020](image)

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31</td>
<td>HHS declares a public health emergency in the United States</td>
</tr>
<tr>
<td>March 12</td>
<td>OMB begins issuing guidance</td>
</tr>
<tr>
<td>April 10</td>
<td>OMB issues guidance to agencies emphasizing rapid funding to meet crucial needs</td>
</tr>
<tr>
<td>April 21</td>
<td>DOL issues report on initial areas of concern with UI</td>
</tr>
<tr>
<td>May 11</td>
<td>DOL issues guidance UIPL 23-20 on program integrity functions for the CARES Act UI programs and describing fraud detection tools</td>
</tr>
<tr>
<td>August 31</td>
<td>DOL issues guidance UIPL 28-20, providing resources to states to address fraud and identity theft</td>
</tr>
<tr>
<td>December 27</td>
<td>PUA, FPUC, PEUC extended through March 14, 2021; FPUC set at $3,000 weekly, MEUC created</td>
</tr>
</tbody>
</table>

**Source:** GAO review of Department of Labor guidance and information, relevant federal laws, and other agencies’ documentation. | GAO-22-104251
Appendix III: Timeline of Selected Events Related to CARES Act Unemployment Insurance (UI) Programs, January 2020-December 2021

This guidance provided $100 million to states to support prevention and detection of fraud and identity theft in PUA and PEUC, and to recover fraud overpayments.

The dates shown for states’ first payments under the CARES Act UI programs represent the earliest payment dates.

While funding for the Lost Wages Assistance program was depleted in September 2020, the program ended in December 2020.

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOL issues guidance UIPL 19-21 addressing UI benefits held by banks as a result of fraud</td>
<td>May 5</td>
</tr>
<tr>
<td>DOL announces additional funding through UIPL 28-20, Change 2, to address fraud detection and prevention, overpayment recovery, and identity verification</td>
<td>August 11</td>
</tr>
<tr>
<td>DOL creates Office of UI Modernization</td>
<td>August 31</td>
</tr>
<tr>
<td>DOL issues notice to states on availability of tools for identity verification and fraud protection</td>
<td>September 15</td>
</tr>
<tr>
<td>DOL issues guidance UIPL 01-22 to announce an incarceration data exchange to support fraud detection and prevention</td>
<td>October 29</td>
</tr>
<tr>
<td>DOL issues guidance UIPL 02-22 announcing a grant for states to address fraud detection and prevention, equitable access, payment timeliness, and backlog reduction across all UI programs</td>
<td>November 2</td>
</tr>
</tbody>
</table>

Note: The Act also included $8 million for federal administration of the UI programs. According to DOL, this was the first time during the pandemic that additional funding for federal administration of UI was available.

This date represents the earliest date of state withdrawals from the CARES Act UI programs.
Overall, the 30 empirical studies included in our literature review showed that an expansion of UI programs during adverse times, such as the Great Recession of 2007-2009 and the COVID-19 pandemic, helped create overall economic stability, prevented existing inequities from worsening, and had a limited effect on workers’ incentives to return to work. Some of the studies also explained other factors that influence the relationship between UI expansion and the levels of employment during adverse times. Additionally, some of the studies included in our review examined other benefits from UI expansion during adverse times, such as an improved labor market.

Among the 30 empirical studies included in our literature review, six measured the benefits of UI expansion and found that an expansion of UI programs during adverse times, such as the Great Recession of 2007-2009 and the COVID-19 pandemic, helped maintain economic stability and prevented detrimental outcomes from getting worse.

**Stabilized economy overall.** UI expansion during economic crises helped create overall economic stability by helping to maintain consumer spending and may have even increased aggregate spending during the pandemic.¹ The studies in our review explained that by maintaining aggregate demand in the economy, expanded benefits acted as an automatic stabilizer by limiting reductions in expected revenue of firms and further reductions in jobs offered. In addition, according to the authors, the extra income from expanded UI benefits was particularly important for families who did not have alternative income sources or personal savings during periods of high unemployment or sufficient access to other income transfer programs.²

¹Aggregate spending refers to total spending on all goods and services in the economy. Aggregate demand shows the quantity demanded for all goods and services at the existing price levels.

²The authors said that “UI may also serve as a substitute for other income transfer programs (e.g., food stamps, retirement benefits, disability benefits, and cash welfare) by providing temporary income support during unemployment spells, thereby alleviating the need to participate in these other programs.” Rothstein and Valletta, “Scraping By.”
Three of the economic studies included in our literature review analyzed real-time data during the pandemic and found that the UI expansion helped sustain consumer spending to some extent, which had a stabilizing effect on the economy. For example:

- One study analyzed the differences in consumer spending across industries and regions in 18 Illinois counties to estimate the relationship between earnings replacement from expanded UI and credit and debit card spending. The study found that the higher replacement rates led to significantly more consumer spending even with increasing unemployment rates.³

- Another study that looked at a sample of 6,254 families included in the 2016 Survey of Consumer Finances estimated that CARES Act UI programs and a one-time cash assistance in the form of a tax credit dramatically improved households’ financial security and that only about half of working families would have been able to cover 6 months of expenses if they had to rely exclusively on their own liquid savings and standard UI benefits.⁴

- A third study analyzed JPMorgan-Chase Institute anonymized bank account data for millions of households from January 2019 through November 2020 and found that total spending during this time period was about 2.0 to 2.6 percent higher as a result of the UI benefit expansions.⁵

A study conducted during the Great Recession evaluated the impact of UI expansions on housing and found that the UI expansions reduced delinquencies on loan payments, foreclosures, and mortgage defaults.


⁴The Survey of Consumer Finances reports a household’s mortgage payments, rental payments, property taxes, home insurance, condo fees, vehicle lease and loan payments, student loan payments, credit card payments, other/miscellaneous debt payments, and spending on food. See Bhutta, Blair, Dettling, and Moore, “COVID-19, The CARES Act, and Families’ Financial Security.”

⁵The unit of observation is household-by-week and the primary analysis sample consists of 844,000 households that get UI benefits via direct deposit from 31 states or the District of Columbia. See Ganong, Greig, Liebeskind, Noel, Sullivan, and Vavra, Spending and Job Search Impacts of Expanded Unemployment Benefits.
This helped maintain home values, thus acting as an automatic stabilizer for the housing market.⁶

**Prevented detrimental outcomes from worsening.** Some studies conducted during the pandemic noted that specific occupations, such as service-oriented or low-paying occupations in the restaurant industry, experienced more layoffs and reductions in hours than occupations in other industries. The studies added that because these low-wage occupations disproportionately employ people of color or women, UI expansion likely also reduced existing inequities among this group from getting worse.⁷

Two studies in our literature review demonstrated how expanded UI prevented worsening of inequitable outcomes in families’ consumption and financial insecurity. Specifically:

- One study found that the substantially larger job losses among low-paid workers, significantly increased inequality in labor earnings during the pandemic.⁸ However, the CARES Act UI programs increased average earnings by over 50 percent for the bottom 10 percent of pre-pandemic earners and the bottom one-third of pre-pandemic earners received 49 percent of the total payments from the

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⁶This study evaluated the impact of UI expansions on delinquencies, foreclosures, and home values after controlling for state-level economic conditions and household characteristics. Their results showed that a $3,600 increase in maximum extended UI benefits was associated with a twelve percent decline in layoff-related increase in delinquency and nearly 15 percent of the layoff-related increase in foreclosures. See Joanne W. Hsu, David A. Matsa, and Brian T. Melzer, “Unemployment Insurance as a Housing Market Stabilizer,” *American Economic Review* 108, no. 1 (2018).

⁷For example, one study that examined the impact of COVID-19 pandemic on women’s versus men’s employment, found relatively larger employment declines among women. Using micro data from several national labor force surveys, they found both the composition of women’s employment across industries and occupations as well as increased childcare needs during closures of schools and daycare centers to be important causes for this pattern. See Titan Alon, Sena Coskun, Matthias Doepke, David Koll, and Michèle Tertilt, *From Mancession to Shecession: Women’s Employment in Regular and Pandemic Recessions*, NBER Working Paper Series Working Paper 28632 (Cambridge, MA: National Bureau of Economic Research, Apr. 2021).

⁸The study also explained that given the consumption patterns of low-income individuals, where a big proportion of their income is spent rather than saved, expansion of UI likely produced substantial multiplier effects and further stimulated aggregate demand. See Guido Matias Cotes and Eliza Forsythe, *Impacts of the COVID-19 Pandemic and the CARES Act on Earnings and Inequality*, IZA Institute of Labor Economics, Discussion Paper No. 13643 (Aug. 2020).
Appendix IV: Detailed Information about Empirical Studies Reviewed

CARES Act UI programs, thus preventing the inequities from getting worse.

- A study using Survey of Consumer Finances data also estimated the pandemic’s effects on families by race and ethnicity and found that the CARES Act UI and cash assistance programs had the biggest positive impact on Black and Hispanic or Latino/a families’ financial security.\(^9\)

- Studies also showed that in the absence of expanded UI, poverty levels would have been higher during the Great Recession and the pandemic.

- One of the studies conducted during the pandemic found that the CARES Act UI programs effectively blunted a rise in poverty rates in April 2020.\(^10\) Specifically, the economic impact payments and UI programs lifted more than 18 million individuals out of monthly poverty in April 2020, but this number fell to around 4 million individuals after the expiration of the $600 per week unemployment supplement. They also found that the differences in poverty rates between Black and Hispanic individuals relative to White individuals were magnified during the pandemic and after the expiration of the Federal Pandemic Unemployment Compensation (FPUC) $600 per week unemployment supplement.

- Results from another study using Current Population Survey data indicated that government programs during the pandemic, including the expanded UI programs, significantly reduced poverty, which would have risen by over 2.5 percentage points in the absence of such programs.\(^11\)

- A study conducted during the Great Recession that analyzed Survey of Income and Program Participation panel data found that poverty rates and self-reported disability rose substantially after expanded UI benefits introduced during recession were exhausted.\(^12\)

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12Rothstein and Valletta, “Scraping By.”
Empirical Analyses Show That UI Expansion Had Limited Negative Effects on Workers’ Incentives to Return to Employment

Our review of 13 studies that empirically analyzed the relationship between UI expansion and workers’ incentives to return to work found limited disincentive effects on workers’ decisions to return to work. Specifically, the studies either found that expanded UI had no disincentive effects or if they found some effect it was limited to a small group of workers. For example, eight studies we reviewed found that expanded UI benefits either during the pandemic or the Great Recession had no effects and four found limited effects on workers’ willingness to return to work. For example:

- Eight studies found no disincentive effects
  - Three of these studies analyzed earnings data for hourly waged restaurant workers and food industry employees during the current pandemic and found no evidence of a relationship between high-earnings replacement rates from expanded UI benefits—meaning the amount of pre-pandemic earnings that UI benefits covered—and declines in employment. They used data from Homebase, which is a private firm that provides scheduling and time clock software to small businesses, covering hundreds of thousands of workers across the U.S. and Canada. Homebase’s clients are primarily small firms that require time clocks for their day-to-day operations, nearly half of which are in the food and drink industry. Workers are predominantly hourly, not salaried, employees.
  - Two of these studies grouped individuals according to their earnings replacement rates after receiving expanded UI benefits and found that workers with more generous benefits did not experience differential declines in employment when FPUC was in place and that workers with higher replacement rates were no less likely to return to work than workers with lower replacement rates. These studies controlled for state-industry-week trends to account for variation in the pandemic’s severity and business restrictions. See Lucas Finamor and Dana Scott, “Labor Market Trends and Unemployment Insurance Generosity during the Pandemic,” *Economic Letters* 199 (2021) and Dana Scott and Lucas Finamor, *Employment Effects of Unemployment Insurance Generosity During the Pandemic*, Munich Personal RePEc Archive no. 102390, accessed May 24, 2022, https://mpra.ub.uni-muenchen.de/id/eprint/102390.

- The third study divided U.S. states into four groups by their median replacement rates and found that states with more generous unemployment insurance benefits had milder declines in...
employment and faster recoveries between March and July 2020.\textsuperscript{15}

- Another recent study we reviewed concluded that states’ withdrawal from paying increased UI benefit amounts did not affect workers’ willingness to work. The study analyzed data through the first week of August, 2021 to compare the effect on the financial and employment patterns of unemployed workers in states that stopped paying expanded UI benefits in the form of additional $300 weekly payment (before their expiration), to workers with the same unemployment duration in states that retained these benefits.\textsuperscript{16} Although the study found that states that stopped paying expanded UI benefits saw employment levels increase by 4.4 percentage points, it attributed most of this employment gains to workers’ exhaustion of UI benefits and not to states’ creating greater incentives for workers to find jobs by stopping the $300 weekly payment. Through the first week of August 2021, average UI benefits for these workers fell by $278 per week and earnings rose by $14 per week, offsetting only 5 percent of the loss in income. Average spending per worker fell by $145 per week, as the loss of benefits led to a large immediate decline in consumer spending. Moreover, the percentage of workers covered by UI dropped by 35 percentage points among workers who were unemployed and receiving UI at the end of April 2021, substantially larger than the 4.4 percentage increase in employment levels. The study attributed most of this employment gains to workers’ exhaustion of UI benefits and not to states’ creating greater incentives for workers to find jobs by stopping the $300 weekly payment.

- Another study conducted an event study—an empirical analysis to assess the impact of an event—to analyze the effect of the sharp, and unprecedentedly large, reduction in the UI benefit replacement rates due to the expiration of the FPUC and did not find that this led to a sizable increase in employment. These results were more pronounced for two groups that comprised a


vast majority of UI recipients, that is, among those without a college degree or those in a non-high income group.\textsuperscript{17}

- Three older studies conducted during the Great Recession also did not find significant disincentive effects of UI extensions during that period.\textsuperscript{18}

- Four of our studies did find some disincentive effects but these were limited to a certain group of workers.

- One study, for example, used Bureau of Labor Statistics’ Current Population Survey micro data to estimate the amount of benefits that would lead workers to refuse employment. To do so, it examined workers with different skills (i.e., their education levels), in different occupations, and across U.S. states. The analysis showed that the $600 supplement had moderate disincentive effects on job-finding rates in the first half of 2020 but only for a small share of job seekers.\textsuperscript{19}

- A second study analyzed checking account bank data and found that the rate at which workers returned to employment was relatively constant between May and October 2020 despite massive fluctuations in benefit levels over this time period. The initial study claimed that these findings were inconsistent with the presence of a large disincentive effect from the UI benefit


\textsuperscript{19}Specifically, their results show that the rate at which workers returned to employment during the months of April through June in 2020 are lower for individuals whose post-CARES Act UI replacement rates rise the most, however these results are statistically significant for the month of May but only marginally significant for the months of April and June. They explain that the fragility of these estimates suggests that the disincentive effects of enhanced UI generosity on job search only affects a small fraction of the sample. See Petrosky-Nadeau and Valletta, \textit{UI Generosity}. 


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Appendix IV: Detailed Information about Empirical Studies Reviewed

supplements for most workers. However, the updated study with newer data found small disincentive effects—the job-finding rate increased by 0.76 percentage points after the expiration of the $600 supplement and decreased by 0.56 percentage points after the introduction of the $300 supplement.

- One of the studies compared the states that opted out of one of the expanded UI programs in June 2021, with those that continued with the programs until they expired in September 2021. This study concluded that the expanded eligibility and generosity of expanded UI benefits may have slowed transitions from unemployment to employment. However, their evidence also showed early termination increased financial stress among people.

- A study conducted during the Great Recession found that UI extensions resulted in over a 10-percentage point decline in the probability that unemployed women would search for jobs, but it found no significant impact on job-search behavior for unemployed men.

Some studies explained that results showing limited disincentive effects are understandable because workers usually make dynamic and not static decisions about employment. In other words, workers consider factors such as the limited duration of benefits, loss of the option to return to their previous job, time required to find a new job, and the prospect of

20See Ganong, “Spending.”

21The authors explain that the job-finding rate was trending upwards prior to the expiration of the $600 supplement and even after the increase, the rate was much lower than the job-finding rate before the pandemic. See Peter Ganong, Fiona Greig, Pascal Noel, Daniel M. Sullivan, and Joseph Vavra, Micro and Macro Disincentive Effects of Expanded Unemployment Benefits (University of Chicago and JP Morgan Chase Institute and NBER, July 29, 2021), accessed Aug. 31, 2021, https://voices.uchicago.edu/noel/files/2021/07/disincentive_effects_of_expanded_ui.pdf.


permanently lower wages after the career setback of being unemployed in a recession.  

- One study demonstrated that once workers consider the dynamic factors, only workers who had low previous wages, an almost certain return-to-work offer, and very low wage losses with unemployment would turn down their old job and remain unemployed while receiving CARES Act UI benefits. These cases may then explain the anecdotal evidence of workers’ unwillingness to return to work.

- Another study noted that because health insurance and other benefits are tied to jobs for many workers and expanded UI benefits are limited in duration; it could limit workers’ perceived value of expanded UI, and increase the value of working.

- Similarly, another empirical study estimated the lowest wage at which a worker would be willing to accept a particular type of job (reservation wage) for a wide range of U.S. workers during the pandemic and concluded that only two occupations, food services and janitors, may have preferred unemployment to accepting their pre-pandemic jobs during the first week of June 2020.

**Other factors affecting employment.** Some studies included in our review explored factors other than disincentive effects that could be influencing the relationship between expansion of UI and high


25This study estimated that, given the replacement rates, if workers made a static comparison of their previous wage to the benefits available under the CARES Act UI programs, then 68 percent of laid-off workers would not have returned to work if offered their previous jobs over April to July 2020. See Boar and Mongey, *Dynamic Trade-Offs*.

26See Finamor and Scott, “Labor Market Trends.”

27Petrosky-Nadeau and Valletta, *UI Generosity*. According to economic theory, high levels of unemployment observed when UI is expanded could either be due to supply-side factors such as disincentives to return to work or reduced efforts to search for jobs among those receiving these benefits; or it could be due to demand side factors such as a reduction in vacancies as firms go out of business or downsize during a recession. As already described above, empirical studies show that UI expansion resulted in limited disincentive effects on workers’ return to employment.
unemployment observed during the pandemic and the Great Recession.28 These studies found that factors such as longer labor force attachment or reduced demand for labor could have been responsible for high levels of unemployment observed during these adverse times; times during which UI may be expanded. Other studies, not included in our review of empirical studies have also pointed out fear of risk of illness and loss of childcare as other potential factors.29 The studies included in our review also found that UI expansion may enable people to wait longer or search more and potentially find jobs better matched to their skill level. The authors claim that this could potentially increase the general welfare by improving the labor markets.

- **Longer labor force attachment.** Seven studies analyzed the relationship between UI expansion and unemployment during the Great Recession of 2007 to 2009 and found that extended UI either increased the overall unemployment rate by a small amount (ranging from 0 percent to 1.4 percentage points) or extended the duration of unemployment. Four of these studies explored the reasons for this relationship and found that it was primarily due to more workers

28According to economic theory, high levels of unemployment observed when UI is expanded could either be due to supply-side factors such as disincentives to return to work or reduced efforts to search for jobs among those receiving these benefits; or it could be due to demand side factors such as a reduction in vacancies as firms go out of business or downsize during a recession. As already described above, empirical studies show that UI expansion resulted in limited disincentive effects on workers’ return to employment.

29One study noted that during the COVID-19 crisis, the risk of illness made unemployment more desirable for workers who could not work from home especially those in the contact or services sector. In these jobs, expanded UI likely enabled workers who had concerns about getting infected to stay home rather than creating “disincentives” to go to work. See L. Fang, J. Nie, and Z. Xie, *Unemployment Insurance during a Pandemic* kCFED Research Working Papers 20-07 (Kansas City, MO: Federal Reserve Bank of Kansas City, Aug. 2020).
Appendix IV: Detailed Information about Empirical Studies Reviewed

staying attached to the labor force longer because of UI expansion rather than refusing employment or reducing their job-search efforts.  

- **Reduced demand for labor.** One study conducted during the pandemic found that the sharp, and unprecedentedly large, reduction in UI benefit replacement rates—roughly from 145 percent of wages to 85 percent of wages—when FPUC initially expired in July 2020 did not lead to any sizable increase in employment.  The study noted that this could be due to the macroeconomic effects arising from a reduction in consumption and aggregate demand from the reduction in benefits that potentially led to lowering labor demand further.

**Other benefits of UI expansion.** Studies included in our review also found that UI expansion had beneficial impacts on the functioning and efficiency of the labor market in general which potentially enhanced general welfare. For example:

- One study conducted during the Great Recession of 2007 to 2009 found that UI expansion led to better matching between employers and employees. Specifically, it found that increasing the generosity of UI improved the quality of employee-employer matches because the expanded UI allowed workers to search longer and eventually find jobs better suited to their skills and ones where they were no longer over-qualified.  That is, the UI benefits did not create a disincentive to “work” per se but created an opportunity to find jobs better matched

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31 The 145 percent replacement rate is based on the study conducted by Ganong and colleagues mentioned above. Dube, *Aggregate Employment Effects*.

with employee skills. The study also found that this effect was greater for women, minorities, less educated, and older workers, all of whom are more likely to be credit-constrained. Lastly, the study found that improvement in match quality resulted in higher earnings for workers because now they were matched to jobs more aligned with their skills and therefore received higher salaries; however, this did not result in firms paying more in wages than before the pandemic.

- Two other studies—one conducted during the Great Recession of 2007 to 2009 and the other during the pandemic—found that, even if UI expansion negatively impacts job-search efforts, it can have welfare-improving effects by making labor markets tighter. Labor market tightness is defined by the number of vacancies per application. This means the lower the number of applications per vacancy, the tighter the market and hence less competition among applicants at a time when jobs are scarce. The authors claim that this has a positive impact on welfare.33

33For example, one study found that during the Great Recession a 10% increase in benefit duration decreased state-level job applications by 1%, but had no robust effect on job vacancies and therefore had a positive impact on labor market tightness. See Ioana Marinescu, “Reprint of: The general equilibrium impacts of unemployment insurance: Evidence from a large online job board,” Journal of Public Economics 171 (2019).

Similarly, a new study by the same author and two others conducted during the pandemic found that although FPUC reduced job search efforts, it did not impact vacancy creation or the number of workers hired because these vacancies were receiving an unusually high number of applications during the pandemic anyway. See Ioana Marinescu, Daphne Skandalis, and Daniel Zhao, The Impact of The Federal Pandemic Unemployment Compensation on Job Search and Vacancy Creation, NBER Working Paper Series Working Paper 28567 (Cambridge, MA: Federal Reserve Bank, Mar. 2021).
Our literature review included 30 academic studies that empirically analyze the impact of UI expansion during the Great Recession of 2007-2009 and the COVID-19 pandemic. These studies were selected after a detailed assessment of each study’s research methodology, including its data quality, research design, and analytic techniques. We based our data collection and assessment on generally accepted social science standards.


Appendix V: Studies Included in Literature


Appendix VI: Comments from the Department of Labor

May 5, 2022

Thomas M. Costa
Director
Education, Workforce, and Income Security
U.S. Government Accountability Office
441 G St. N.W.
Washington, DC 20548


Dear Director Costa:

The U.S. Department of Labor (Department) appreciates the information, analysis, and insights that the U.S. Government Accountability Office (GAO) has shared in this Report. Improving customer experience and service delivery for federal programs is a priority for the Biden-Harris Administration. On December 13, 2021, President Biden signed Executive Order 14058, stating that “the Federal Government must design and deliver services in a manner that people of all abilities can navigate.” As part of this effort, the Department is working to ensure states have the knowledge and resources to prepare for future economic downturns, such as the one caused by the COVID-19 pandemic.

We particularly appreciate GAO’s analysis of how crucial the expanded UI programs were throughout the pandemic. In a section at the end of the Report titled “Empirical Studies Show UI Expansion in Adverse Times Created Economic Stability, While Resulting in Limited Negative Effects on Workers’ Return to Employment,” GAO details the value and the meaningful impact of the expanded UI programs, noting how the programs helped to stabilize the economy and provided needed income support allowing individuals to sustain consumer spending on essential items like food, housing, utilities, and health care expenses. The Report also notes these programs prevented worsening of detrimental outcomes, including the worsening of existing inequities among workers in low-wage occupations that disproportionally employ people of color and women workers.

Much of the Report focuses on what went wrong in the administration of the pandemic programs by the Department and state agencies in an utterly impossible environment for optimum performance. The Department notes that States were experiencing unprecedented claims volumes, the challenges of standing up new and complex benefit programs with an unrealistic

Appendix VI: Comments from the Department of Labor

expectation that benefits would be paid immediately upon enactment of the new programs, and the impact of years of chronic underfunding of state UI administration, all while undergoing a fundamental shift in operations to a total remote work environment. The deck was stacked against a smooth implementation and operation of these temporary, yet critically important, programs.

There are a few items discussed in the Report that require specific comment and elaboration:

- The Report raises concerns about the Department’s guidance to states, stating that the guidance was prematurely issued and experienced numerous changes. The seemingly conflicting concerns – that guidance was rushed and that guidance was needed earlier – are symptoms of Congress creating monumental new programs without setting any realistic expectations for implementation. The statutes creating the new programs indicates that the payments would be due the week following enactment. Similar legislation in the future would benefit from inclusion of an implementation period to set realistic public expectations. Changes in guidance were in large part the result of new enactments (i.e., the Continued Assistance to Unemployed Workers Act of 2020 and the American Rescue Plan Act of 2021 (ARPA)) or in response to issues raised by states regarding these very new programs that had not previously been considered. Guidance evolved as new facts and operational situations were encountered by states, which in turn presented questions to the Department that necessitated response.

- In a section of the Report titled “Customer service assistance,” GAO states that it is unclear if the Department will provide comprehensive information to assist states in addressing customer service challenges. Our Tiger Team initiative described in the Report and in UI Program Letter No. 02-22, is focused on customer service strategies, improving business processes, improving plain language communications, and reducing backlogs. The Department plans to capture the recommendations from these engagements and share them as promising practices with all states.

- A section of the Report titled “DOL efforts” notes the increasing number of states using the UI Integrity Center’s Integrity Data Hub. It is important to note that the Department invested in continued enhancements in the Integrity Data Hub’s functionalities in the midst of the pandemic. An identity verification service was added and went live in July 2020, and a new Bank Account Verification service was added in early 2022.

- In the section titled “DOL Lacked a Strategic Approach to Implement an Emergency Response to the Pandemic for the UI Programs,” the Report mentions, but does not specifically reference, the Recession Readiness Planner that the Department made available to states shortly before the pandemic. This tool addresses topics derived from pre-pandemic research and state reports regarding staffing, technology, communications, services delivery, partnerships, administrative funding, trust fund solvency, reemployment, and other service delivery considerations. The Recession Readiness Planner can be enhanced based on lessons learned from the pandemic. In addition, the Department has a plan for responding to pandemics within the context of its own employees and operations. The plan sets out how the Department executes its
responsible in relation to ensuring essential functions continue, which is part of the Department’s Continuity of Operations Plan (COOP). It was activated and has been in use for the past two years.

We agree with many of GAO’s observations and that the recent experience highlights many areas in need of improvement in the UI programs. This Report will inform the Department’s ongoing work. Further, the Department understands that GAO is including two recommendations in this Report.

In the first recommendation in its Report, GAO recommends:

The Secretary of Labor should ensure that the Office of Unemployment Insurance review the customer service challenges that states faced during the pandemic, identify comprehensive information on customer service best practices, and provide states with this information to assist them in improving service delivery.

The Department partly agrees with GAO’s recommendation. We are pleased to report that the Department is already engaged in various activities that are designed to improve the UI claimant experience and the timely delivery of UI benefits and services to eligible workers. These include:

- **Office of Unemployment Insurance Modernization Established**: The Department established the Office of Unemployment Insurance Modernization (OUMI) within the Office of the Secretary, which is responsible for carrying out the functions authorized under Section 9032 of ARPA. Specifically, OUMI provides strategic oversight and resource management of the $2.0 billion appropriation under ARPA for purposes of detecting and preventing fraud, promoting equitable access, and ensuring the timely payment of benefits. OUMI works closely with ETA and the Office of the Assistant Secretary for Administration and Management to provide strategic policy direction.

- **UI Tiger Teams**: The Department is leveraging multidisciplinary teams to identify quick actions states can take to improve equitable access, detect and prevent fraud, improve the customer experience, and support timely delivery of benefits. In addition, the Department is making grant opportunities available to states participating in the Tiger Team initiative to implement the recommendations developed through the engagement.

- **UI Equity Grants**: On August 17, 2021, the Department announced the availability of $260 million for activities that promote equitable access to UI programs. These first-of-their-kind grants may be used for activities that include, but are not limited to, eliminating administrative barriers to benefit application, reducing state workload backlogs, and improving the timeliness of payments to eligible individuals. The Department announced the first round of grant awards on March 1, the second round on March 29, and the third round on May 2. We plan to announce additional awards on a rolling basis.

- **UI Navigator Grants**: On January 31, 2022, the Department announced the availability
of $15 million for state pilot projects to help workers learn about, apply for, and, if eligible, receive UI benefits and related services. This funding will support state agencies in delivering timely benefits to workers — especially individuals in groups that are historically underserved, marginalized, and adversely affected by persistent poverty and inequality. States may apply for up to $3 million in funding for a 36-month period of performance, with an anticipated start date of July 1, 2022.

- **UI Information Technology (IT) Modernization**: The COVID-19 pandemic underscored states’ critical need for technological support and improvements. Many state systems are operating on outdated technology, which made it difficult for them to rapidly respond to changes in law and economic conditions. In addition, antiquated technology often requires extensive programming resources to make changes or the development of manual processes due to technological limitations, adding to challenges states face in addressing large backlogs and combating fraud, and further delaying UI benefits to eligible individuals. The Department has worked closely with U.S. Digital Service (USDS), which is part of the Office of Management and Budget in the Executive Office of the President, to develop open, modular technology solutions that states may adopt as part of their own ongoing modernization and improvement efforts. In December 2021, the Department announced a Claimant Experience Pilot. Specifically, this project will iteratively develop prototype solutions aimed at improved user experience to be tested in pilot states. Two states are currently engaged in this pilot, and the Department will continue to lead on developing digital solutions for states, ranging from setting standards and best practices to technical assistance to centralized modules.

- **Equity Data Partnership**: The Department is partnering with a number of states to gather a better understanding of workers’ access to benefits, as well as the barriers worker communities face when accessing benefits. As part of this data partnership, states will collect and share program data with the Department, which will analyze the data and develop summaries and tabulations. With this information in hand, states will have an opportunity to examine their data, analyze trends and gaps, should they exist, and ultimately, use their learnings to improve equitable access to the UI programs.

In the second recommendation in its Report, GAO recommends:

> The Secretary of Labor should ensure that the Office of Unemployment Insurance assesses lessons learned from the pandemic to inform its future disaster response efforts and support the Congress on ways to address future emergencies.

The Department agrees with GAO’s recommendation. The Department is and will continue assessing and sharing lessons learned from the pandemic experience. We intend to use such information to guide future program improvements as part of the implementation of the UI provisions under ARPA and future UI reform proposals. When temporary emergency UI programs are created, there is no time in advance to prepare for implementation at the national or state level. Whether it is issuing operating instructions or guidance, programming IT systems, or training staff, it takes quite a bit of time to begin to administer brand new programs despite the best efforts and exceedingly long work days of staff at the Departmental and state level.
Additionally, in the Biden-Harris Administration’s FY 2023 budget, we note that UI reform is needed in part because the pandemic only served to expose the limitations in benefit access, adequacy and eligibility that exist for far too many workers. Standing up new programs effectively overnight would not have been necessary if the regular UI system were updated to cover all workers in the modern labor force, to be easily scalable and automatically responsive to economic downturns, and to provide adequate benefit levels in every state to meet the essential needs of individuals and families during periods of unemployment. For these reasons, we would gladly work with Congress on reforms to the permanent UI program to strengthen the program overall and improve its responsiveness during economic downturns. In addition, through our current activities and strategies, the Department is learning about states’ successes and challenges from the COVID-19 pandemic, which will inform efforts to respond to future events, including but not limited to disasters.

Finally, we take this opportunity to recognize the individuals working in and leading the state UI agencies across the nation. They took on unbelievable challenges and worked hard to provide around $870 billion to over 53 million workers over the past two years. The impact of their work is reflected in the Report’s information about the empirical studies and GAO discussion groups with claimants.

Again, we appreciate GAO contributing to the efforts to raise awareness of the importance of the UI programs and the need to invest in meaningful reforms in the UI programs. Thank you for sharing this information and for the opportunity to respond to this Report.

Sincerely,

Angela Hanks
Acting Assistant Secretary
Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Thomas Costa at 202-512-4769 or costat@gao.gov

Staff Acknowledgments:

In addition to the contact named above, Mary Crenshaw (Assistant Director), Chris Morehouse (Analyst in Charge), Sandra Baxter, Namita Bhatia-Sabharwal, Mary Edgerton, Sara Shore, and Elizabeth Spurgeon made key contributions to this report. Aditi Archer, Jessica Ard, Seto Bagdoyan, Daniel Concepcion, Shana Deitch, Holly Dye, Alex Galuten, Susan Irving, Nicole Jarvis, Jeanine Navarrete, Mimi Nguyen, Paula Rascona, William Shear, Almeta Spencer, Walter Vance, Erin Villas, and Adam Wendel also made significant contributions to this report.
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