

# GAO Highlights

Highlights of [GAO-22-106159](#), a testimony before the Subcommittee on Health, Employment, Labor and Pensions, Committee on Education and Labor, House of Representatives

## Why GAO Did This Study

The UI system has faced long-standing challenges with effective service delivery, which worsened during the pandemic because of historic levels of job loss. In a June 2022 report ([GAO-22-105162](#)), GAO found that these challenges pose significant risks to effectively delivering benefits to unemployed workers. Due to these and other financial risks, GAO has added the UI system to its High-Risk List.

This testimony discusses (1) challenges related to the UI system's ability to respond to the needs of unemployed workers and to changing economic conditions; (2) actions needed to address key risks for the UI system; (3) potential options for transforming the UI system; and (4) the economic effects of expanding UI benefits during adverse times.

This testimony is based on two June 2022 reports. For [GAO-22-105162](#), GAO reviewed audit products; reviewed relevant literature; convened a panel of stakeholders with UI expertise; and compared findings against GAO criteria for designating programs as high risk. For [GAO-22-104251](#), GAO conducted a literature review to identify relevant studies on the effects of expanded UI benefits for individuals and the economy during adverse times.

## What GAO Recommends

In [GAO-22-105162](#), GAO recommended that DOL develop and implement a plan for transforming UI that meets GAO's high-risk criteria. DOL agreed with the recommendation. GAO has 21 open recommendations to DOL on UI, including several related to managing fraud risk.

View [GAO-22-106159](#). For more information, contact Thomas Costa at (202) 512-4769 or [costat@gao.gov](mailto:costat@gao.gov).

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## UNEMPLOYMENT INSURANCE

### Opportunities to Address Long-Standing Challenges and Risks

## What GAO Found

In June 2022, GAO reported that long-standing challenges with Unemployment Insurance (UI) administration have affected states' ability to effectively meet the needs of unemployed workers. These challenges have been identified in prior GAO reports, in other audits, and by stakeholder panelists with UI expertise. They have persisted over time and worsened during times of economic downturn—such as the COVID-19 pandemic. Reported challenges with program design and variation in how states administer UI—such as differences in minimum and maximum UI benefit amounts, duration of benefit periods, and eligibility rules—have contributed to declining access, inconsistent levels of support across states, and disparities in benefit distribution. Other reported challenges for states include providing customer service, delivering timely benefits, implementing new programs, and using and modernizing legacy IT systems. For example, during the pandemic, some unemployed workers experienced long waits for benefit payments, which sometimes caused financial and other hardships.

GAO designated the UI system as high risk because its administrative and program integrity challenges pose significant risks to service delivery and expose the system to significant financial losses. For example, estimated UI improper payments—some of which were due to fraud—increased from approximately \$8.0 billion in fiscal year 2020 to approximately \$78.1 billion in fiscal year 2021. In June 2022, GAO reported that the Department of Labor (DOL) has some activities planned and underway that may address the risks GAO identified, but additional action is needed. GAO recommended that DOL develop and execute a transformation plan that outlines actions to address issues related to providing effective service and mitigating financial risk, including ways to demonstrate improvements. GAO also noted that DOL will need to work closely with states, and potentially with the Congress, to make progress. DOL agreed with the recommendation and noted that it has a variety of efforts underway. These include efforts to enhance equity in program access and benefit distribution; reach worker populations reflective of the modern economy; and rebuild program performance, efficiency in claims processing, and payment timeliness.

Participants in stakeholder panels GAO convened identified various options for transforming the UI system. Options include changes to program design to better target support, such as broadening eligibility, reducing administrative barriers to access, and standardizing requirements across states. Other options include strategies to help improve UI IT systems, such as establishing well-defined modernization outcome goals, and enhancing system integrity, such as maintaining employer verification and improving identity verification.

Although the UI system faces challenges, GAO's June 2022 review of empirical studies found that the expansion of UI programs during adverse times—such as the 2007-2009 recession and the COVID-19 pandemic—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.