STATEMENT

Unemployment Insurance: How to Responsibly Fight Fraud

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Washington, D.C. — As the House of Representatives moves to consider ways to address fraud in the unemployment insurance (UI) system, National Academy of Social Insurance Senior Fellow Michele Evermore released the following statement:

There are several factors to consider in figuring out how to detect and prevent fraud going forward and how to address past bad behavior. First, before discussing fraud, it is essential to begin the conversation by taking a broader view of what the unemployment insurance system is for and the heroic role it has played in recent memory. It is easy to forget in 2025 how frightening the early months of the COVID pandemic were, with hospitals and morgues overflowing and millions of workers suddenly left with no way to earn a living. Congress acted swiftly to address the crisis by providing coverage to more adequately cover the affected population, and pay them enough to stay home and flatten the infection curve, while spiking the economic recovery. UI also helped millions of workers in the Great Recession of 2008 – 2009. UI is also more than a countercyclical stabilizer; it also provides workers a connection to the tools and services they need to get back to a suitable job. This prevents overall wage erosion, which helps all workers in the economy. For this to all work, it is paramount to do everything possible to protect this key core stabilizer from fraud.

When it comes to fighting fraud, the first and most important thing to understand is that there is no single easy solution. In particular, solutions aimed at chasing long lost dollars are bound to be less effective than robust solutions to detect and prevent fraud in the present and the future. The fraudsters that attacked UI systems in the pandemic have gone after other programs and private sector entities, such as financial services entities. It should absolutely not be up to single small state UI programs to serve as the tip of the spear against major international crime organizations. This requires a whole of government partnership with the private sector to combat.

It is also critical not to conflate fraud with improper payments. While every possible action should be taken to retrieve taxpayer dollars from criminal syndicates, clawing back improper payments from the pandemic would be complicated and cruel. Many payments from the pandemic that have been labeled “improper” were actually payments made to the right person and in the right amount. For example, early in the pandemic, several states asked claimants for their COVID-related reason to collect Pandemic Unemployment Assistance (PUA) only in their initial application and not every week thereafter. When states learned in the fall of 2020 that they were supposed to ask for the COVID-related reason every week, they had to go back to claimants who may have become re-employed and moved on for this information. If they do not find out that they are supposed to provide additional information, or do not have the information requested, their benefit was then labeled as improper, again, even though they got the correct benefit when they were supposed to get it.

This deeper dive into fraud and its causes and solutions remains relevant. The answers are going to need to be consistent and not one-time fix-all type solutions. Administrative funding needs to be more consistent over time and systems and technology need to be more uniform across states. We also need a serious study of what each state is actually doing – what technologies and techniques they are applying and at which stage of the claim application and benefit cycle – and whether those things are accurately flagging fraud and allowing smooth processing of legitimate claims.

Finally, we must meet the moment we are living in. We are definitely in a situation in which states are going to be dealing with increased workload due not just to federal government and contractor layoffs, but how those layoffs have been handled. We may be on the precipice of a significant financial downturn with state UI systems already encumbered by mass federal layoffs. If states end up being tasked with surfacing small errors made during the pandemic and classifying them as overpayments, which have a ten-year collection window for collection, an extraordinary number of people who got benefits during the pandemic could be at risk of losing UI benefits in an upcoming economic crisis. This could risk the countercyclical stabilizer effect of the system.

Program integrity is, and always should be about building stable programs and systems that pay the right benefit to the right people at the right time. To build that, it is going to take the kind of bipartisan approach that the National Academy of Social Insurance took last year on broader UI reform principles. There is consensus on addressing integrity out there if we take the time to be thoughtful in our approach.

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