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Overpaid Unemployment Benefits Total in the Billions During Pandemic

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States overpaid billions in unemployment assistance after enhanced and extended benefits were approved last year, according to a federal watchdog.

A Government Accountability Office [report issued Monday](#) said the Labor Department found \$12.9 billion in overpayments made in several unemployment programs from April 2020 through March 2021, including some benefit payments that were [a result of fraud](#).

In March 2020, Washington lawmakers approved an expansion of the unemployment-benefits system in response to [the Covid-19 pandemic](#) and the related economic downturn. Two programs were created: one that offered unemployment assistance to gig workers, the self-employed and others not previously eligible for benefits, and another that extended payments after state benefits were exhausted, which typically occurs in six months or less.

Number of people claiming unemployment benefits, by program Source: Labor Department Note: * Reflects Pandemic Emergency Unemployment Compensation for those who exhausted other programs. † Reflects Pandemic Unemployment Assistance for self-employed and others not typically eligible.

million Regular state programs Pandemic extended benefits * Pandemic assistance † Other Jan. 2020 '21 05101520253035 Pandemic assistance † x Dec. 12, 2020 x 9.009 million

Lawmakers also provided a federally funded enhancement on top of amounts approved by states. Initially the enhancement was \$600 a week. Since late December 2020, it has been \$300 a week.

The amount of overpayments represents about 2% of the roughly \$660 billion in unemployment benefits paid out by the Treasury Department during the year ended March 31, 2021, though right- and left-leaning analysts at think tanks agree with the GAO that the overpayment rate is likely understated. The Treasury figures don't include [unemployment benefits paid by states](#), but do include all the enhanced and extended benefits, which were federally funded.

The GAO report said \$1.3 billion in overpayments [had been identified as fraud](#), though that figure is likely to grow. The Labor Department doesn't report overpayments as fraud until investigations are complete. "It is likely that states and territories have not yet reported substantial amounts of fraud overpayments, which could contribute to increasing amounts reported in the coming months," the GAO said. Seven [states and territories that have reported overpayments](#) have reported no data on fraud overpayments.

Fraud in the unemployment system can take multiple forms, including criminal actors applying for and stealing benefits from individuals, and individuals who aren't eligible for unemployment tapping the systems.

The GAO report might be significantly understating the level of overpayment and fraud, said William Yeatman, a research fellow at the right-leaning Cato Institute. He noted a February report from the Labor Department's Inspector General stating that California, the most populous state, paid at least 10% of benefits to fraudulent claims since the pandemic began—and the figure could be as high as 27%, or \$29 billion, for the state.

The unemployment system has struggled with inaccurate and incomplete data, Mr. Yeatman said. The GAO had similar findings.

“Given the quality of the data is so poor, we may never really get a grip on the amount of waste that was caused by this burst of spending over the past year,” he said.

Weekly Federal Unemployment Insurance Payments Source: Treasury Department Note: Four-week average of weekly sum

billion Jan. 2020 210.02.55.07.510.012.515.017.520.022.525.0 \$27.5

Andrew Stettner, a senior fellow at the left-leaning Century Foundation, also said the GAO report likely understates the level of fraud in the unemployment system. He added that much of the fraudulent payments were apparently a result of organized criminal activity, especially identity theft.

Mr. Stettner and others have said that unemployment benefits provided a lifeline for the millions of U.S. workers who lost their jobs because of the Covid-19 pandemic.

States, which received \$2 billion to fight fraud and modernize unemployment-insurance systems in this year's stimulus law, are now doing a better job thwarting fraud with the use of new technology, he said.

States are “in a better position to stop that fraud before it drains the government coffers in 2021 than they were in 2020,” Mr. Stettner said.

Both first-time applications for unemployment benefits and continuing payments have declined in recent months. That largely reflects an economy that is broadly reopening and a labor market that is improving to the point where many employers are reporting a shortage of workers. About half of states have also acted to cut off enhanced and extended unemployment benefits in recent weeks, ahead of their scheduled expiration in September.

Still, benefit payments remain higher than prepandemic levels. Total federal unemployment benefits paid since March 1, 2020, through the week ended July 15, are near \$800 billion.

The number of continuing unemployment benefits claims peaked at roughly 33 million in June 2020, more than double the number of people the Labor Department said were unemployed that month. Of those, more than 14 million were paid through the program for self-employed and similar workers, more than the total number of self-employed workers in the U.S. before the pandemic.

For the week that ended June 26, 2021, 13.8 million continuing unemployment-benefit payments were made, including 5.7 million in the program for those not eligible under regular programs.