

Anomalous Unemployment Insurance Payments During the Pandemic

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Abstract

This paper studies the amount and nature of anomalous Unemployment Insurance (UI) payments during the period of expanded UI programs in 2020 and 2021. We identify anomalous UI payments as those which appear to be potentially improper based on variables observed in administrative tax data and UI policies. We establish six key results: (1) anomalous UI payments were very large (\$214 billion, equal to 24% of all UI payments); (2) the Pandemic Unemployment Assistance program featured a particularly high amount of anomalous UI payments (\$124 billion, 45% of all PUA payments); (3) 46% of anomalous UI payments could have been identified ex-ante if more information were made available to state UI agencies; (4) anomalous UI benefits appear across a range of 2019 income levels, though they are concentrated among individuals with no income; (5) anomalous UI benefits are more highly concentrated in certain ZIP codes than non-anomalous UI benefits; and (6) the amount of anomalous UI benefits in a state is strongly related to the pre-pandemic level of UI fraud. Motivated by these results, we consider counterfactual policies and show that several alternative approaches could have simultaneously provided better insurance against large income losses, provided benefits to individuals more quickly, lowered the amount of anomalous payments, and reduced administrative costs.