



COMMITTEE ON
EDUCATION & LABOR
REPUBLICANS

COMMITTEE
STATEMENT

**Opening Statement of Rep. Rick Allen (R-GA), Republican Leader
Subcommittee on Health, Education, Labor, and Pensions
"Examining the Administration of the Unemployment Insurance System"
September 21, 2022**

(As prepared for delivery)

"Because of the COVID-19 pandemic, we had economic shutdowns and the nation experienced historic levels of unemployment, job loss. In response, Congress created three new federally funded temporary unemployment insurance programs under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was bipartisan legislation. This legislation temporarily expanded eligibility, increased benefits, and extended benefit duration.

"Democrats chose to continue to pay expanded benefits under the expensive and partisan American Rescue Plan Act (ARPA). Recognizing that the vast majority of Americans had the opportunity to return to work, Republicans fought against this extension. Democrats ignored our concerns.

"What were the consequences of this unnecessary continuation of these expanded benefits? Record unemployment payouts and fewer workers returning to work. In fact, we've all been in our districts over the August work period and we see help wanted signs everywhere, which highlights this very critical issue. During the 18 months between March 2020 and September 2021, the expanded UI program cost approximately an astounding \$900 billion, almost a trillion dollars. That is more debt on the backs of our children and grandchildren. More unemployment checks were sent out in this 18-month period than were paid out across the six years during and following the Great Recession.

"Republicans resisted ARPA's extension of benefits because of the perverse incentives it created. Two-thirds of those who collected increased unemployment benefits under the CARES Act earned more than when they were working. When the federal government pays people more money not to work than they were making while employed, most people choose to stay home or drop out of the workforce.

"While Democrats argue that this expansion should become permanent, Republicans completely disagree. The expansion of these UI programs was meant to be a robust but temporary change to the unemployment system during an unprecedented emergency. This emergency is now over, and it is time to return the UI system back to normal operations. Get

people back to work. Unemployment insurance is supposed to provide a temporary safety net for workers between jobs. We do not need another welfare system.

“Under this massive expansion, widespread fraud occurred in the UI system. The fraud has been so rampant that the Government Accountability Office has put DOL and the UI system on its ‘High Risk’ list. According to DOL’s own Office of Inspector General (OIG), potential fraud payments could be as high or even higher than \$163 billion as of March 2022. According to the Washington Post, only \$4 billion of these fraudulent claims have been recovered. Nonetheless, the Biden administration issued guidance allowing states to ignore suspicious overpayments and to excuse DOL from reporting fraudulent overpayments and amounts recovered. The Biden administration should be assisting states to recover stolen money, not putting roadblocks in their way or encouraging them to ignore fraudulent behavior.

“The OIG regularly reports on specific examples of fraud it detects. In one recent case, a man attempted to defraud the Illinois Department of Employment Security of more than \$4 million in state and federal unemployment insurance by stealing the identities of elderly Illinois residents. He then laundered the UI checks by purchasing salvaged automobiles that he and his co-conspirators then shipped to Nigeria. It was even reported that in California the state approved millions of dollars that went to prisoners, exposing further vulnerabilities in our unemployment system.

“DOL and state UI systems struggled to process claims, implement new programs, and provide adequate customer service to states and claimants. There are clearly major shortcomings in the system that must be addressed. The bottom line is DOL and states must make significant reforms to their implementation of the UI system. GAO gave DOL 21 recommendations and it has yet to implement any of those recommendations.

“The American Rescue Plan Act included \$2 billion for DOL to address the administration of the UI system, and Republicans want to ensure the Biden administration is spending this money wisely. We must demand transparency and accountability. The mistakes made during the pandemic should not be repeated, and taxpayers should never again be cheated out of billions of dollars.

“In closing, President Biden even said that the pandemic is over, as I stated earlier, so it is time we stop funneling even more taxpayer dollars into a flawed system. In order for our workforce to reach pre-pandemic levels, we must ensure that unemployment insurance only serves as a bridge for people to find a job and lift themselves up. We should focus on policies that will spur economic growth and give folks the opportunity to do what God created them to do.”

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