

N E W S R E L E A S E

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Date: January 25, 2021

News Release No.: 21-05

EDD Provides Updates on Unemployment Benefit Fraud and Fraud Prevention Efforts

EDD managing record amount of unemployment benefit claims and payments

Sacramento – Today the California Employment Development Department (EDD) provided an update on the department’s efforts to get unemployment benefits to struggling Californians while stopping fraud committed against the unemployment system.

Between March 2020 and January 16, 2021, EDD processed 19.5 million claims and paid out \$114 billion in unemployment benefits. EDD confirmed that 9.7 percent of payments have been made to fraudulent claims. EDD also identified that up to an additional 17 percent of payments made during this time have been made to potentially fraudulent claims. These claims are under investigation. Estimates provided today are likely to shift as new claims come in and as older claims that have been flagged as suspicious are either validated or confirmed as fraudulent.

EDD estimates that the department’s existing fraud screening measures and new security protections put into place last fall prevented up to \$60 billion in payments to fraudulent claims.

“EDD is now working with some of the country’s most successful fraud prevention businesses and law enforcement agencies to protect the state’s unemployment benefit system,” said California Labor and Workforce Development Agency Secretary Julie Su. “We know that many Californians are waiting on payments, and EDD is working quickly to validate their claims and get their benefits to them.”

EDD experienced more than five times as many unemployment claims in 2020 than in 2010, the worst full year of the Great Recession. In fact, EDD processed as many claims within the first eight weeks of the pandemic shut down as it did during all of 2010. Nationally, unemployment systems paid more than \$500 billion to unemployment benefits in 2020, according to a draft report by the National Association of State Workforce Agencies.

California processed a record amount of unemployment benefit claims in 2020, primarily driven by the COVID-19 pandemic. This flood of activity provided a window of opportunity for thieves. Like many other states, California has been hit hard by fraud from international and national crime syndicates particularly targeting the federal Pandemic Unemployment Assistance (PUA) program.

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“EDD was clearly under-prepared for the type and magnitude of criminal attacks and the sheer quantity of claims,” said EDD Director Rita Saenz. “We are focused on making the changes necessary to provide benefits to eligible Californians as quickly as possible and stopping fraud before it enters the system.”

Nationally, 35 percent of unemployment applications are fraudulent, according to ID.me. The PUA program was particularly susceptible to fraud according to the U.S. Department of Labor as it did not require income or employment verification up front and allowed claimants to back-date their claim to February.

The EDD estimates that roughly 95 percent of the known fraudulent payments in California were made to PUA claims. The remaining 5 percent is associated with California’s existing Unemployment Insurance (UI) program. By comparison, in 2019, fraud accounted for about 6 percent of California’s total UI payments.

“The fraud targeting Pandemic Unemployment Assistance programs is a national problem -- the crisis transcends any one state. California was one of the first five states to implement ID.me to prevent the massive fraud the unemployment system was experiencing. Today, 21 states are either live with ID.me or in the final stages of implementation. California moved swiftly to prevent tens of billions in additional fraudulent claims,” said Blake Hall, CEO of ID.me.

“Currently, ID.me is blocking about \$1B in fraud per week across the states we serve. The fraud rate for new claims is at least 35% and over ten times what we see at federal agencies. California should be commended for also moving early to screen high-risk claims filed prior to ID.me’s introduction, preventing further loss to taxpayers.”

In July 2020, Governor Gavin Newsom announced a series of actions to better serve Californians who lost jobs during the COVID-19 pandemic. The Governor formed an Employment Development Department strike team and launched a renewed focus on processing unpaid claims. The Governor also set up a task force led by California’s Office of Emergency Services and law enforcement agencies to investigate fraud and prosecute criminals.

In October, EDD instituted secure measures to verify claimants’ identity through the ID.me program to help make claim processing more efficient while increasing fraud detection. EDD also expanded its contract with security firm Thomson Reuters to provide EDD with industry best practices to identify fraud.

To provide assistance to customers, EDD is providing a fact sheet entitled “[What You Should Know about Unemployment Scammers](#)”. And for the details on the fraud numbers released, please see “[California Unemployment: Fraud by the Numbers](#)”.

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