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SEPARATION ANXIETY

Reducing improper payments in unemployment insurance with a separation certificate

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The Niskanen Center is a 501(c)(3) issue advocacy organization that works to change public policy through direct engagement in the policymaking process.
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Key takeaways

- In 2024, state Unemployment Insurance (UI) programs collectively had a 15.9 percent improper payment rate, amounting to $6 billion. A key contributor to this problem is that agencies are often unable to verify eligibility before benefits must be sent out.
- Countries facing similar problems have responded by requiring employers to issue separation certificates with sufficient information to help verify eligibility for UI. Canada provides a fruitful model.
- The U.S. could substantially improve program integrity by adopting a similar system focused on verifying reasons for employment separation at the time of separation.
- A separation certificate that automatically verifies nonmonetary eligibility – that is, criteria besides earnings – would reduce the need for state agencies to reach out to employers with requests for separation information after claims are submitted, streamlining the process for agencies and applicants.

Introduction

The Covid-19 pandemic reminded the public that Unemployment Insurance (UI) is an important lifeline for workers and their families. Unfortunately, the pandemic also served to demonstrate that these vital state programs are susceptible to fraud and improper payments. Of the $888 billion in UI claims paid out over this period, an estimated $191 billion were improper payments, including up to $135 billion due to fraud.[1]

While these issues came to the forefront during the pandemic, they are long-standing problems that have beleaguered UI for decades. According to the Government Accountability Office, the program's improper payment rate was 15.9 percent in 2024, amounting to $6 billion. Improper payments include both those that should not have been made because the recipient was ineligible and payments made in the incorrect amount, whether recipients were paid too much or too little. The GAO identified several root causes, including fraud and the failure of employers to provide timely and adequate information.[2] Given UI's importance in providing stability for workers impacted by economic downturns and regular labor market churn, it is critical to ensure the program is paying the right amounts to the right people, among other overdue reforms. While advocates often look to other states for reform models, we can also draw lessons from abroad. Other countries have introduced effective methods for verifying the information required for processing UI claims at the time of separation. Canada, which has a much lower improper payment rate, stands out as a potential model for U.S. reformers.

In 1973, Canada introduced a Record of Employment (ROE) in response to concerns about program integrity.[3] Canada's ROE speeds up processing for legitimate claimants while making it easier to verify the information necessary to process claims. Additionally, it acts as a deterrent for fraudulent claimants who might have stolen identifying information but lack the needed ROE. As a result, Canada's improper payment rate consistently hovers around 5 percent – one-third of the U.S. rate.[4]

Some experts have suggested that U.S. employers could be required to submit an ROE to state UI agencies and to workers when they become separated from jobs.[5] It would contain essential information required for determining the two key types of eligibility, monetary (ensuring a worker has earned enough to draw benefits) and nonmonetary (including a range of factors such as why the worker left the job). Examples include identification numbers, contact information, dates of employment, hours worked, earnings, and reason for separation. Several states have adopted ROE-style reforms, but the details of what is included in each varies considerably.

The details of what is included in an ROE are significant, however. The information employers are required to provide upon parting ways with a worker could be narrowly targeted at verifying eligibility or more broadly defined to ensure maximum access. Some types of information might also require broader reforms to data-sharing practices or technologies to be used most effectively.

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1. Office of Inspector General, OIG Oversight of the Unemployment Insurance Program (Washington, D.C.: U.S. Department of Labor, June 5, 2025).

2. Government Accountability Office, Improper Payments: Information on Agencies' Fiscal Year 2024 Estimates, GAO-25-107753 (Washington D.C.: 2025); Government Accountability Office, Unemployment Insurance: Transformation Needed to Address Program Design, Infrastructure, and Integrity Risks, GAO-22-105162 (Washington D.C.: 2022).

3. Leslie Pal, *State, Class, and Bureaucracy: Canadian Unemployment Insurance and Public Policy*. (Montreal: McGill-Queen's University Press, 1988). Australia also introduced an Employment Separation Certificate in 1987, which is still used today. See: https://www.servicesaustralia.gov.au/su001.

4. Employment and Social Development Canada, *Employment Insurance Monitoring and Assessment Report, 2023-2024* (Gatineau: Canada Employment Insurance Commission, 2025).

5. Stephen A. Wandner, *Transforming Unemployment Insurance for the Twenty-First Century: A Comprehensive Guide to Reform* (Washington, D.C.: National Academy of Social Insurance, 2023).

We undertake a comparative analysis of UI claim verification in Canada and the United States in order to better understand which components of a Canadian-style ROE might improve UI program integrity in the United States. We find that although wholesale adoption of the Canadian ROE system would have its benefits, the U.S. could substantially improve program integrity by adopting a more limited ROE regime focused on verifying the reasons for an employment separation when it occurs.

We begin with an overview and analysis of UI eligibility verification processes in Canada and the United States, followed by a survey of current documentation practices in states that require it at time of separation. We conclude with a set of recommendations for adopting components of a Canadian-style ROE regime to help reduce improper payments in UI.

Canada: Verification using a Record of Employment

Canada's employment insurance (EI) program covers an expansive range of benefits.[6] This includes traditional unemployment benefits as well as parental, maternity, sickness, and caregiving leave benefits. EI is a wholly federal program with provinces playing no role in program administration.[7] Employment and Social Development Canada (ESDC) verifies EI benefit claims both before and after claimants begin receiving benefits. The main source of information is the Record of Employment (ROE), which ESDC refers to as "the single most important document used by employees to apply for Employment Insurance benefits."[8]

Workers need to provide relatively little information when they apply for EI benefits. This includes basic personal information to assure the applicant's identity (social insurance number, last name of one parent, address, and banking information for direct deposit) and employment history (employer(s) name, address, dates, and reason for separation over the past year). They can apply as soon as they become separated from employment.[9] ESDC will begin processing the application once they have received the ROE from the employer. Workers have access to the ROE once it has been submitted by the employer as well.

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Employers are required to submit an ROE to Service Canada, ESDC's hub for benefit administration, whenever there is an "interruption of earnings," regardless of whether or not the worker intends to apply for EI benefits. Employers determine that an interruption has occurred in most cases when an employee has seven consecutive days without any work or "insurable" earnings covered by EI.[10] Recognizing that pay periods differ across employers (e.g., weekly, biweekly, or semi-monthly), they are allowed five calendar days from the last day of the pay period in which the interruption occurred to complete and submit the ROE electronically to Service Canada.[11]

6. Canada shifted from referring to their program as "unemployment insurance" to "employment insurance" as part of a comprehensive overhaul in 1996. In this report, for simplicity, EI will refer to the Canadian program while UI will refer to the American programs.

7. One exception is for parental leave where the Quebec Parental Insurance Plan (QPIP) is administered as a separate program.

8. Government of Canada, *EI Record of Employment* (Ottawa, Ontario: February 16, 2023).

9. Government of Canada, *Checklist: Employment Insurance regular benefits application* (Ottawa, Ontario: November 18, 2021).

10. Earnings covered by the EI program are referred to as "insurable earnings" in Canada.

11. Government of Canada, *How to Complete the Record of Insurance Employment Form* (Ottawa, Ontario: Service Canada, 2021). There are several well-defined exceptions to these general rules in cases that warrant it (e.g., rules requiring an earlier submission for employees paid on a monthly basis).

Canada uses a secure online portal – ROEWeb – where employers can set up an account for creating, amending, and submitting ROEs. Employers are required to designate a Primary Officer who is responsible for working with ROEWeb on behalf of the employer. The portal has a number of verification measures to ensure information is protected and submitted ROEs are authentic.[12]

The ROE itself is relatively straightforward.[13] Each ROE has a unique serial number that allows ESDC to track it and flag fraudulent submissions. It includes basic identifying information and work history related to eligibility. Basic identifying information includes:

- Employer's and employee's names and addresses;
- Employee's Social Insurance Number;
- Employer's Canada Revenue Agency Business Number;
- Employer's pay period type (e.g., weekly, biweekly, etc).

Basic work history information includes:

- Employee's first and last day of paid work;
- Employee's final pay period end date;
- Employee's total insurable hours and earnings, overall and by pay period;
- Employer's reason for issuing ROE;
- Miscellaneous (e.g., monies paid out upon separation).

The qualifying period is the 52 weeks immediately preceding the claim or the period since the worker's last benefit claim.

The reason for separation is the primary criterion for determining whether a worker is eligible for any EI benefit. The ROE has several codes for common reasons behind a separation. For example, in cases where workers voluntarily quit (Code E) or retire (Code G) or employers fire workers (Code M), workers would not be eligible for EI benefits. In cases where employers lay off workers (Code A) or workers take parental leave (Code P), workers would be eligible for EI benefits.

One unique aspect of Canada's system is that eligibility, benefit amounts, and duration can vary based on a region's unemployment rate. Including the employer's postal code in the ROE allows ESDC to determine the relevant parameters for each applicant. ESDC uses this information in conjunction with the data on insurable hours and earnings to verify that the applicant has met the minimum eligibility requirements and calculate the weekly benefit amount.

ESDC can request additional payroll information from employers if an ROE contains insufficient information or if they suspect earnings are underreported or misreported in the ROE or if a worker reports different

12. Government of Canada, *ROE Web – Registration and account management* (Ottawa, Ontario: April 14, 2025).

13. Government of Canada, *How to Complete the Record of Insurance Employment Form*. pp.7-17.

numbers.[14] Employers can preempt some of these requests for information by submitting their payroll information on a weekly or monthly basis through a voluntary Automated Earnings Reporting System.[15] ESDC sets a standard of providing payments (or notification of nonpayment) for at least 80 percent of applicants within 28 days of the initial application and typically meets this goal each year.[16]

Service Canada keeps ROEs on file for 11 years. There are relatively severe penalties for noncompliance or fraud. Employers can be fined up to C$2,000 for not issuing an ROE in a timely manner and up to C$12,000 for falsifying or selling ROEs. In some cases, employers may even face jail time.[17]

This system of verification has been highly effective at protecting program integrity. The Canada Employment Insurance Commission regularly finds that only about 1 percentage point of the typically 5 percent error rate can be attributed to employer errors on the ROE, such as incorrect hours, earnings, or employment dates. Claimants are more likely to be a source of error, for example by failing to report earnings while receiving benefits.[18]

Overall, improper payments in Canada tend to be related to errors in reported hours or earnings before benefit payments begin and failure to report new earnings while receiving benefit. Unlike the U.S., Canada does not struggle with errors related to inability to verify the reason for separation.

U.S.: Two-step verification by state unemployment agencies

In contrast to Canada, the U.S. runs its Unemployment Insurance as a joint federal-state program. Congress has devised a set of baseline federal standards, but states are largely responsible for designing, financing, and administering their individual UI programs within these parameters. Additionally, Congress provides annual grants to states to cover the cost of administration. State UI agencies apply those federal funds towards verifying eligibility and sending out benefits.

Whereas Canada's agency receives all relevant eligibility information within days of job separations as a matter of course, American UI agencies check monetary eligibility by tapping into quarterly wage records that can take time to update and gather nonmonetary information by requesting it from employers after claims are submitted.

Monetary eligibility for unemployment insurance is typically determined based on wages or hours worked, on a quarterly basis. States will look at wages/hours in either the standard base period (SBP) consisting of the first four of the five most recently completed calendar quarters or an alternative base period (ABP) consisting of the most recent four calendar quarters.[19] All states use the SBP. Thirty-nine states have adopted

14. Government of Canada, *EI - Employer Responsibilities* (Ottawa, Ontario: June 17, 2019).

15. Government of Canada, *The Automated Earnings Reporting System* (Ottawa, Ontario: April 10, 2017); Government of Canada, *Employer Guide: Automated Earnings Reporting System* (Ottawa, Ontario: Service Canada, 2016).

16. Employment and Social Development Canada, *Employment Insurance Monitoring and Assessment Report, 2022-2023* (Gatineau: Canada Employment Insurance Commission, 2024).

17. Government of Canada, *Employment Insurance and fraud* (Ottawa, Ontario: April 20, 2022); Canadian Federation of Independent Business, *Record of Employment - what you need to know* (Toronto, Ontario: October 30, 2023).

18. Employment and Social Development Canada (2024: 311-12).

19. Some states, such as Massachusetts and New Jersey, may also consider recent weeks of work in the current calendar quarter as part of the ABP.

use of an ABP, which is applied in the event that workers are ineligible according to SBP wages.[20]

Each state sets different earnings requirements for its base period. Monetary calculations tend to be much more complex in American states than under Canada's more straightforward requirements. In general, U.S. workers must earn a minimum amount totalling anywhere from $130 to $8,000, and may be required to earn wages in multiple calendar quarters of the base period.[21] The median earnings minimum across states is approximately $2,600.[22] Two states use minimum hours requirements like Canada: Washington requires at least 680 hours in the base period and Oregon allows workers with at least 500 hours in the base period to qualify if they have not met the minimum earnings requirement.[23]

Nonmonetary eligibility is based largely on whether a worker becomes separated from employment through no fault of their own.[24] A qualifying involuntary separation could involve an employer laying off an employee due to a lack of available work, while someone fired for misconduct likely would be denied benefits. It is also possible for workers to receive UI when voluntarily leaving a job for a good cause.[25] States may approve benefits if the worker left a job because of "unacceptable behavior" by the employer or for serious personal reasons like domestic abuse, which could require relocating to a new place. What constitutes a "good cause" depends on the state.

The first data collected by UI agencies to evaluate claimant eligibility are the quarterly UI wage records. Employers are required by federal law to submit these records, and they are instrumental in evaluating claimants' monetary eligibility, but not always sufficient.[26] Employers have one month after a calendar quarter ends to submit these quarterly wage records and it takes UI agencies additional time to process the submissions.[27] Several total months of wages might not be readily available when a worker applies for UI, making it difficult to evaluate monetary eligibility according to the Alternative Base Period.[28] State UI agencies may thus need to gather additional wage data to make a complete determination.

The quarterly wage records regularly include the:[29]

- Employee and employer's names;[30]

20. John Pallasch, "*Federal Requirements Regarding State Unemployment Compensation (UC) Alternative Base Period (ABP) Determination Procedures*," (Washington D.C.: Unemployment Insurance Program Letter No.17-19, Department of Labor, September 16, 2019).

21. U.S. Department of Labor, *Significant Provisions of State Unemployment Insurance Laws Effective January 2025* (Washington, D.C.: 2025); U.S. Department of Labor, *Comparison of State Unemployment Laws 2023: Monetary Entitlement* (Washington, D.C.: 2025).

22. U.S. Department of Labor, *Comparison of State Unemployment Laws 2023: Monetary Entitlement*.

23. WA Admin Code 192-310-040, *Reporting of wages and taxes due - How should employers report hours worked* (Olympia, WA: 2025); Oregon Employment Department, *Hours and Estimating Hours Worked* (Salem, OR: 2025).

24. Workers must be able and available to start at a new job in order to qualify.

25. U.S. Department of Labor, *Comparison of State Unemployment Laws 2023: Nonmonetary Eligibility* (Washington, D.C.: 2025).

26. Code of Federal Regulations, *20 CFR Part 603* (Washington, D.C.: National Archives, June 5, 2025).

27. U.S. Department of Labor, *PIIA 2023 Proper and Improper Monetary Denials* (Washington, D.C.: May, 2024).

28. Andrew Stettner, Heather Boushey, and Jeff Wenger, *Clearing the Path to Unemployment Insurance for Low-Wage Workers* (Washington, D.C.: Center for Economic and Policy Research, August, 2005).

29. U.S. Chamber of Commerce Foundation, *Developing and Using Public-Private Data Standards for Employment and Earnings Records* (Washington, D.C.: February, 2021); U.S. Bureau of Labor Statistics, *An Inventory of Employee- Specific Data Collected on Unemployment Insurance Wage Records* (Washington, D.C.: January, 2022); U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages: Concepts* (Washington, D.C.: April 16, 2025); New York Department of Labor, *UI Data Sharing Data Elements* (Albany, NY.: 2021).

30. Depending on the state, employers must report at the establishment level if there are multiple work sites. See: U.S. Bureau of Labor Statistics, *Employment and Wages, Annual Averages 2023* (Washington, D.C.: September 4, 2024).

- Employee's Social Security Number;
- Employer's State Employer Identification Number;
- Total compensation paid to an employee during the completed calendar quarter (can include severance pay).[31]

Some states require additional information to be included, such as:

- Employee's and/or employer's address;
- Employee's occupation;
- Employee's hire date;
- Employee's total hours.

The second step of data collection occurs once unemployed workers submit initial benefit claims. Claimants are asked to provide basic information about themselves, their recent jobs, and their availability for future work. State agency workers compare the employment information to the quarterly data already submitted to UI agencies.

Agencies will then notify employers from the worker's base period that the claim has been submitted and request whatever information is missing from their file. This can include wage data from recent months or farther back – state employment laws require employers to retain payroll records for at least two years and as many as seven years. More commonly, agencies must reach out to employers to confirm the reason for the job separation. It's possible that the employer provides a different explanation than the worker. Unlike in Canada, where employers supply the reason for separation right after a layoff, UI agencies in the U.S. usually obtain this crucial piece of eligibility information after a worker submits a benefit claim.

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Employers face a deadline to respond to these requests for wage and separation information, typically ranging from four to 15 days.[32] Although some states require employers to respond through online portals, most accept physical paperwork (mail, fax). When late responses result in improper payments, employers can be charged for those errors. Some states may assess this type of penalty any time an employer fails to submit adequate separation information before the deadline, while other states enforce charges only after an employer has demonstrated a pattern of untimeliness as defined by a percentage or number of recent requests turned in late.

In order to help streamline the response process for employers, the U.S. Department of Labor partnered with the National Association of State Workforce Agencies to establish the State Information Data Exchange System.[33] SIDES is a centralized platform for employers to send and receive information pertaining to

31. Most states report compensation based on when the payments were made. A few states report wages based on when the work was done. See: U.S. Bureau of Labor Statistics, *QCEW Overview* (Washington, D.C.: April 16, 2025).

32. States vary in their use of calendar or business days.

33. National Association of State Workforce Agencies, *State Information Data Exchange System* (Washington, D.C.: 2025).

unemployment claims.[34] Employers must be vetted and receive authentication certificates in order to participate and data is encrypted.[35]

SIDES contains exchanges that allow employers to receive notification of new unemployment claims and monetary and nonmonetary determinations, and to respond to requests for separation information, additional facts, and earnings verification. Multistate employers, in particular, can benefit from being able to respond to all requests in a single location instead of managing correspondence across a collection of state programs and agencies.[36]

The federal government has provided funding to encourage states to use SIDES, though take-up has varied based on the exchange.[37] The most widely used SIDES exchange is for requests of separation information.[38] All states except for Arkansas and Minnesota currently participate.[39] Only a minority of employers use SIDES, which is part of the reason why states still rely on a mix of paper and electronic communications after claims are submitted. The Department of Labor found employers that do participate respond faster with SIDES, helping state workforce agencies make accurate and efficient determinations.[40]

Sources of error

State UI agencies must balance payment speed with accuracy. Federal standards call for keeping the improper payment rate under 10 percent while sending 87 percent of initial payments out no later than three weeks after an application is submitted.[41] State agencies have taken steps to improve performance, but regularly struggle to meet these accuracy and timeliness benchmarks.[42] The national improper payment rate was 14.4 percent during the 2024 reporting period and states have collectively been considered timely in just two months since the start of the Covid-19 pandemic.[43]

Over a quarter of improper payments trace back to insufficient information about separation (23 percent) or base period wages (6 percent).[44] Slow response times from employers are frequently the source of error. The Labor Department can assign responsibility for an error to more than one stakeholder, so categories

34. Each data exchange on SIDES is operated "on a secure, private cloud protected by multiple redundant firewalls." Multiple layers of security are applied. See: National Association of State Workforce Agencies, *About SIDES* (Washington, D.C.: 2025); District of Columbia Department of Employment Services, *SIDES E-Response* (Washington, D.C.: 2025); New York Department of Labor, *SIDES Fact Sheet* (Albany, NY: 2021).

35. New York Department of Labor, *SIDES and SIDES E-response* (Albany, NY: 2025); The Association of Unemployment Tax Organizations, *SIDES* (New York: 2025).

36. When employers use the SIDES e-response website, distinct accounts may be required for each franchise in a state and/or locations in multiple states. Multi-state employers can use a single account when SIDES is integrated as a computer-to-computer interface.

37. Portia Wu, "Unemployment Insurance (UI) Supplemental Funding Opportunity for Program Integrity and Performance and System Improvements" (Washington D.C.: Unemployment Insurance Program Letter No.13-14, Department of Labor, June 16, 2014).

38. National Association of State Workforce Agencies, *Separation Information Exchange* (Washington, D.C.: 2025).

39. Massachusetts began using this exchange in July 2025.

40. U.S. Department of Labor Office of Inspector General, *Better Strategies Needed to Increase Employer Participation in the State Information Data Exchange System* (Washington, D.C.: Report 04-17-003-03-315, March 31, 2017).

41. U.S. Department of Labor, *Unemployment Insurance Payment Accuracy by State* (Washington, D.C.: 2025); U.S. Department of Labor, *UI PERFORMS Core Measures Acceptable Levels of Performance* (Washington, D.C.: 2025).

42. Robert A. Greer & Justin B. Bullock, "Decreasing improper payments in a complex federal program." *Public Administration Review*, Volume 78 Issue 1 (2017), pp. 14–23.

43. If states have a waiting week, then the first payment is considered timely if it is delivered sometime during the following two weeks. Otherwise, a first payment is considered timely if delivered within three weeks after the initial benefit week.

44. U.S. Department of Labor, *PIIA 2023 Benefit Accuracy Measurement Annual Report* (Washington, D.C.: May, 2024); U.S. Department of Labor, *Causes of Overpayments* (Washington, D.C.: 2025).

of blame can overlap. But the department estimates that 20 percent of overpayments – the most common type of improper payments[45] – occur because employers did not provide adequate and timely information to UI agencies before eligibility decisions had to be made. Meanwhile, the agencies themselves were assigned responsibility in a larger total amount of recent overpayments, and 40 percent of agency-driven overpayments were related to separation issues.[46] After auditing overpayments through its Benefit Accuracy Measurement program, the Department of Labor concluded "that taking additional steps to secure employer information or to conduct more in-depth claimant interviews may impact overpayment amounts."[47] In other words, a more proactive approach from agencies could elevate employer responsiveness.

Another consequence of incomplete information is that agencies can wrongfully deny claims or underpay beneficiaries.[48] The Labor Department determined that 11 percent of claim denials were improper. A quarter of all improper monetary denials stem from inadequate use of alternative base period wages.[49] A key reason is that 40 percent of denied applicants in states with an alternative base period in 2018 did not receive "a determination regarding their alternative base period eligibility."[50] States that are required to incorporate data from the most recently completed calendar quarter do not necessarily retrieve that information. Meanwhile, three quarters of underpayments – where processed payments are too small – have been caused by base period wage issues.[51]

Oftentimes, the problem lies less with errors made by employers and UI agencies and more with the evaluation process itself. Seventy-seven percent of overpayments made by UI agencies were determined to be undetectable through normal procedures.[52] This suggests a need to look at reforming this process to increase the chances of early detection.

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Comparing the U.S. and Canada

Canada's Record of Employment regime has the potential advantage of requiring employers to submit almost all relevant information to the country's UI agency whenever a worker becomes separated from employment. This differs from the American regime, which relies on a combination of wage records automatically submitted on a quarterly basis and ad hoc requests for additional information when deemed necessary. Upon closer analysis, we find some nuance in the details of how these advantages translate into a lower improper payment rate in Canada.

The components of the ROE that detail the information necessary for determining monetary eligibility are not the source of much of the difference in improper

45. U.S. Department of Labor, *PIIA 2023 Benefit Accuracy Measurement Annual Report*.

46. U.S. Department of Labor, *PIIA 2023 Benefit Accuracy Measurement Annual Report*; U.S. Department of Labor, *PIIA 2023 Integrity Rates by Cause* (Washington, D.C.: May, 2024).

47. U.S. Department of Labor, *PIIA 2023 Benefit Accuracy Measurement Annual Report*.

48. Portia Wu, "Integrity Performance Measure for Unemployment Insurance"(Washington D.C.: Unemployment Insurance Program Letter No. 9-13, Department of Labor, January 27, 2015).

49. U.S. Department of Labor, *PIIA 2023 Proper and Improper Monetary Denials* (Washington, D.C.: May, 2024).

50. John Pallasch, "Federal Requirements Regarding State Unemployment Compensation (UC) Alternative Base Period (ABP) Determination Procedures."

51. Total underpayments were 4 percent of the level of overpayments.

52. U.S. Department of Labor, *PIIA 2023 Overpayment Rates Caused by Prior Agency Action* (Washington, D.C.: May, 2024).

payments. The United States' use of wage records for verifying base period wages – while sometimes clunky and complex – accounted for only 6 percent of total improper payments. In contrast, the component of the ROE that allows employers to verify the reasons for a worker's separation early and unambiguously is key to reducing improper payments. In the United States, more than a fifth of improper payments can be traced back to inadequate or inaccurate information regarding applicants' reasons for separation.

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Reducing improper payments would not require a comprehensive overhaul of the American unemployment insurance system. The adoption of an ROE regime focused on verifying reasons for separation – if designed correctly – could substantially improve program integrity. In recent years, a number of states have begun adopting new requirements for employers at the time of separation. Although these have sometimes been described as ROE regimes, they provide little or none of the information required for verifying eligibility.[53] In order to better understand the existing state landscape, we survey and categorize required documentation at time of separation across all 50 states.

ROEs and separation data in the states

There is no federal requirement for U.S. employers to supply workers or UI agencies with documentation pertaining to UI eligibility at the time of separation. However, individual states do enforce laws or regulations that mandate such documentation. The information provided by employers can inform workers of how to apply for UI benefits and assist with the determination process.

States have adopted one of the four following approaches at the time of separation:

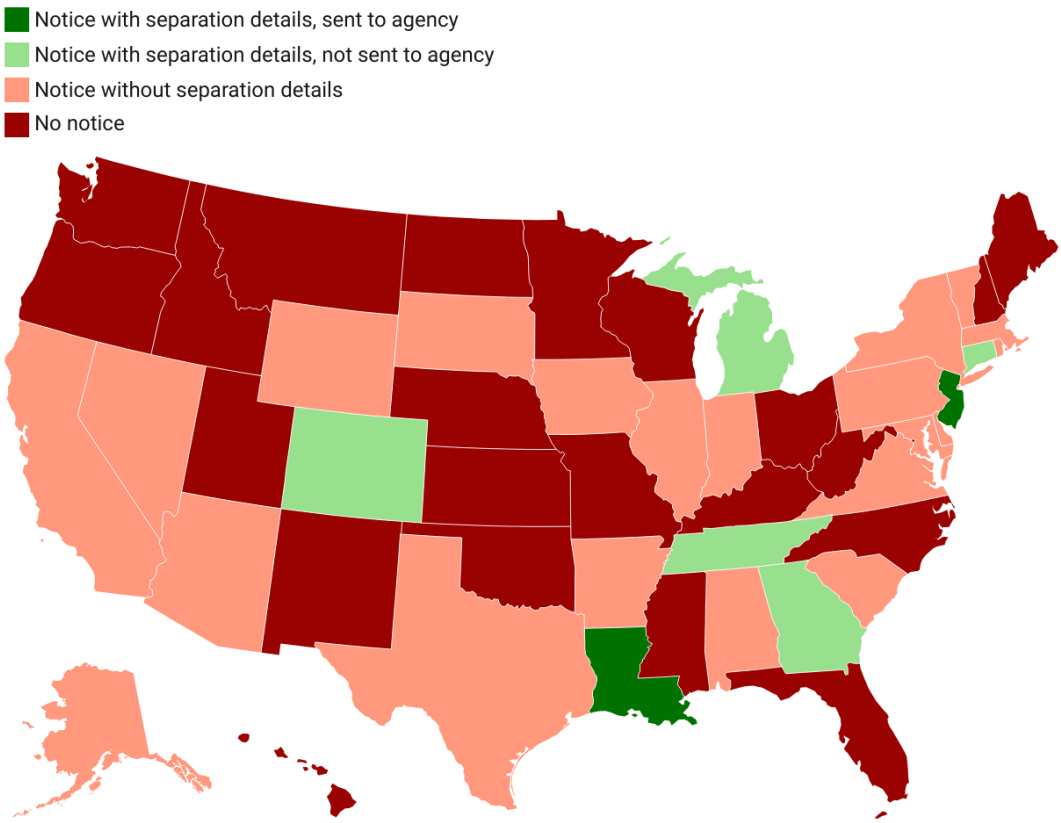
1. Employers are not required to provide any documentation;

OR, employers are required to provide:

2. A pamphlet to workers informing them of potential eligibility for unemployment insurance benefits;
3. Job-specific records to workers that could assist with verifying nonmonetary UI eligibility by listing a reason for separation;
4. Job-specific records to the UI agency that could assist with verifying nonmonetary UI eligibility by listing a reason for separation (i.e., a "Record of Employment" process resembling that of Canada).

53. Stephen A. Wandner, *Transforming Unemployment Insurance for the Twenty-First Century: A Comprehensive Guide to Reform*.

Figure 1: Separation notification requirements by state



A plurality of states – 22 plus D.C. – do not require employers to provide any documentation about UI eligibility to workers or UI agencies at the time of separation (dark red).[54] Twenty-one states require employers to provide a standard pamphlet that notifies separated workers of potential UI eligibility and how to apply (light red).[55] No separation information that could be used to verify eligibility is included on those forms.[56]

Seven states (in green) require employers to provide notices that include information on the UI program and details about a worker's employment – including a reason for separation – that could potentially be used to verify eligibility for UI benefits. Five of the states (in light green) require employers to supply these notices to the newly separated workers. Just two (in dark green) require employers to pass along that employment record to the state UI agency in some circumstances.

54. Although these states do not require documentation at the time of separation, employers may have the option of providing information at that time. In Mississippi, the Department of Employment Security encourages employers to submit a standardized online form site when a suspected disqualifying job separation has occurred. This submission can occur before a claim is filed. See: Mississippi Department of Employment Security, *Employer Reference Guide* (Jackson, MS: February, 2016); Mississippi Department of Employment Security, *Report Separation/Refusal to Work* (Jackson, MS: 2024).

55. Iowa requires a generic pamphlet to be provided to workers around the time of separation. The state also provides employers the option to proactively submit a Form 60-0154 (Notice of Separation or Refusal of Work) when the employer believes the reason for separation should disqualify the worker from UI benefits. See: Iowa Administrative Code 24.33(96), *Workforce Development - Labor Disputes* (Des Moines, IA: 2017); Iowa Workforce Development, *Notice of Separations and Job Refusals* (Des Moines, IA: 2025); Iowa Workforce Development, *Notice to Employee Regarding Unemployment Insurance Coverage* (Des Moines, IA: 2025).

56. California, Massachusetts, New York, and Pennsylvania include several pieces of job-specific information on their pamphlets, but do not clearly distinguish between potential qualifying and disqualifying reasons for separation.

In those two states – Louisiana and New Jersey – the UI agencies can apply such records to improve program integrity and efficiency. Certain information on the form – such as the job title and the exact date or reason for separation – may not be readily available to identity thieves. Agencies can more easily detect suspicious claims by screening for this information, which has been sent to the actual unemployed worker. Legitimate applicants may then receive a decision sooner.

However, these couple of states may not be maximizing the impact from their records of employment.[57] Louisiana's separation notice includes the employee's name, personnel number, section/office, job title, last day of work, first day of separation, pay data, and the reason for separation.[58] The Louisiana notice encompasses a range of job separations (voluntarily quit, discharged for misconduct, lack of work, leave of absence, illness/injury, labor dispute, etc.) but it still may require additional investigation from the UI agency.

In particular, Louisiana's separation notice falls short of the Canadian model insofar as employers are required to provide a notice only when the reason for separation is "for any cause which may be potentially disqualifying."[59] In the event that an employer considers a separation to be qualifying, they might not submit a separation notice to the UI agency.[60] The Louisiana UI agency may then need to follow up with employers to make a comprehensive evaluation after a claim is submitted.[61] Without the state UI agencies receiving the reason for separation up front when an unemployment event occurs, it may be difficult to resolve overpayments related to inadequate or untimely separation information.

New Jersey recently amended an existing separation notice requirement to include "information … sufficient to enable the division to make a benefit determination," which includes information on reason for separation.[62] The exact instructions given to employers and the details of the form remain to be seen because the state is still in the process of rolling out the new separation notice.[63]

Ideally, New Jersey could avoid the shortcomings highlighted in Louisiana by having employers deliver the notices to the worker and UI agency each time a job separation occurs and including sufficient details for agencies to make determinations without needing to follow up.

A more common set of state wage record laws and regulations impose record retention requirements for employers. Twenty-four states require employers to record the reason for an employee separation in their wage records (see Figure 2). This information can be stored for two years or longer. These states consider separation details to be important enough for businesses to retain the information for years, yet they are not taking full advantage of this information to improve UI program integrity. A Bureau of Labor Statistics

57. New Jersey's separation record cannot be properly evaluated until finalized.

58. Louisiana Workforce Commission, *Instructions to Employer for Preparation of Separation Notice Alleging Disqualification* (Baton Rouge, LA: 2025).

59. LA Rev Stat § 23:1576, *Notice of separation* (Baton Rouge, 2024).

60. Loyola New Orleans College of Law Gillis Long Poverty Law Center, *Louisiana Legal Services and Pro Bono Desk Manual - Unemployment Compensation Benefits* (New Orleans, LA: 2023).

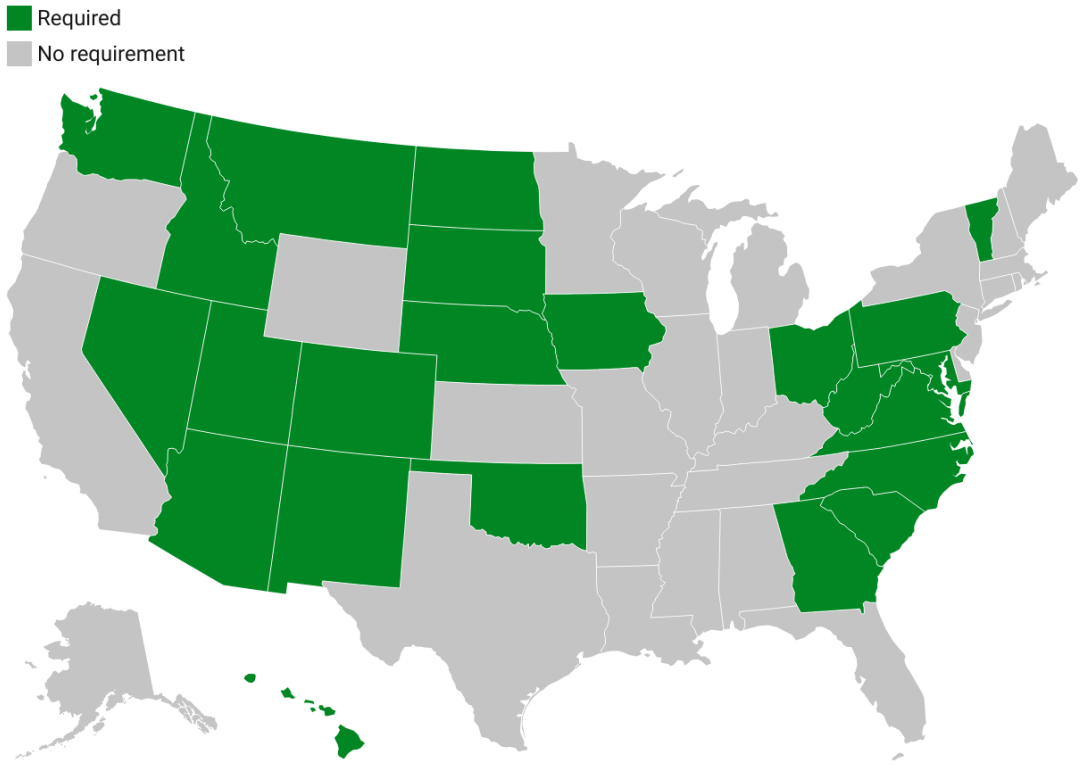
61. Louisiana Workforce Commission, *Louisiana Employers - Unemployment Insurance* (Baton Rouge, LA: July, 2017).

62. NJ Rev Stat § 43:21-6, *Claims for benefits* (Trenton, NJ: 2024).

63. New Jersey Department of Labor & Workforce Development, *Get started with Employer Access* (Trenton, NJ: 2025).

study group recently came to a similar conclusion, noting that most employers already have the data that an enhanced UI reporting system would require.[64]

Figure 2: Reason for separation requirements in quarterly payroll records by state



Created with Datawrapper

Given that employers are mandated to record the reason for separation, there is an opportunity for UI agencies in these 24 states to proactively collect that information. Nine of the states – Arizona, Iowa, Maryland, Nevada, Pennsylvania, South Carolina, South Dakota, Vermont, and Virginia – currently require employers to provide pamphlets to workers that lack the reason for separation. Notably, Iowa has a voluntary system for employers to share separation information with the state UI agency in some circumstances. Two other states – Colorado and Georgia – already have employers deliver a separation notice to workers with the reason for separation included. These three states (Colorado, Georgia, and Iowa) thus appear to be in a solid position to act. Even states that currently lack any separation notice should seek to bridge the disconnect between what employers record and what UI agencies receive before claims are submitted.

Recommendations

The current practice of waiting until an unemployed worker submits a claim to selectively collect information on the reason for separation creates unnecessary headaches for workers, employers, and agencies. Eligible applicants can experience avoidable delays while their initial claims are processed, while ineligible applicants may waste their time applying in the first place. It can be difficult for employers to respond to

64. "Data elements that have been the focus of discussions on wage record enhancement are currently available in the payroll systems of most employers." Administrative Wage Record Enhancement Study Group, *Enhancing Unemployment Insurance Wage Records: Potential Benefits, Barriers, and Opportunities* (Washington, D.C.: Bureau of Labor Statistics, September 2015).

ad hoc UI agency notices before the tight deadlines, especially if requests for separation information arrive late in the mail or are digitally sent to outdated contacts at firms. Meanwhile, UI agencies are more prone to make payment errors when the employer responses are returned late. Labor Department officials have said as much: "Many UI improper payments cannot be prevented given certain legal requirements that states pay claims in a timely manner, based on the best information available at the time, and provide claimants with due process when the state finds an eligibility issue."[65]

The most straightforward way to reduce improper payments would be to adopt the Canadian practice of requiring employers to share a standardized reason for separation with UI agencies at the time of separation for all workers. By designing a Separation Certificate regime that allows employers to select from a standardized list of reasons for separation, policymakers could reduce the cost of verifying this crucial piece of information. This would eliminate much of the tension between payment accuracy and timeliness by providing agencies with accurate and reliable separation information that may even arrive before workers apply for benefits. Requests for separation information after claim submissions would become rare.

Up to 20 percent of improper payments – equivalent to $1.2 billion last year – could be prevented by amending federal law and requiring that employers in each state submit a Separation Certificate whenever an employee becomes separated from a job. The statutory reform could be structured as an explicit mandate or as a condition for states to retain eligibility for administrative grants and tax credits under the Federal Unemployment Tax Act. These supports are already conditioned on states repaying the interest on federal loans in a timely manner.[66]

Congress could largely rely on existing administrative infrastructure to build out the necessary components of a Separation Certificate. One option would be to let employers submit the documentation via state online portals or SIDES, though it might be preferable to exclusively use SIDES. Requiring employers in each state to submit the documentation through SIDES – which already has its separation information exchange – would ensure that a standardized form is applied across all states. This would be particularly important for multi-state employers to reduce any potential administrative burdens on top of what they already face.

The separation exchange on SIDES would need modest adjustments to process a comprehensive Separation Certificate. Right now, employers can select one of 19 reasons why a separation occurred.[67] The dropdown list of reasons includes variations of permanent separations, temporary layoffs or leaves of absence, designations for particular types of workers typically ineligible for UI benefits between terms (school employees, professional athletes), and suspensions or disputes. The Labor Department and National Association of State Workforce Agencies could proactively add additional reasons to account for growing participation in federal and state family and medical leave programs, which would benefit from similar verification methods.

65. Government Accountability Office, "Unemployment Insurance: Transformation Needed to Address Program Design, Infrastructure, and Integrity Risks" (June 7, 2022).

66. Julie M. Whittaker, *The Unemployment Trust Fund (UTF): State Insolvency and Federal Loans to States* (Washington, D.C.: Congressional Research Service, January 13, 2023).

67. National Association of State Workforce Agencies, *Separation Information E-Response Web Site User Guide* (Washington, D.C.: February, 2013).

Table 1: Potential reasons for separation

Unemployment Insurance eligibility consideration	
Permanent shortage of work/layoff	Strike or lockout
Temporary layoff	Fired/Discharged
Voluntary quit/separation	Leave of absence
Disciplinary dismissal or suspension	Disaster-related suspension of work
School employee or professional athlete between terms	Retirement
Vacation/holiday shutdown	Asked to resign
Still employed full- or part-time	Apprentice training
Still employed but hours reduced	Other (write out reason)
Other eligibility considerations	
Maternity leave	Family caregiving leave
Parental leave	Medical leave

Note: Existing reasons for separation listed in SIDES and suggested additions are included here.

The requirements for submitting Separation Certificates could follow Canada's practices. Employers would be required to submit a certificate whenever there is an interruption of earnings, defined by a seven-day rule where an employee has seven consecutive days without any work or earnings covered under UI now.[68] Employers with weekly, biweekly, or bimonthly pay periods would have until five days after the end of a pay period to submit the electronic documentation for separations. Employers with monthly pay periods (or 13 total periods per year) would need to submit a Separation Certificate within five calendar days of the end of a pay period or 15 days after the separation itself, whichever deadline comes sooner. UI agencies would automatically get the information they need following each separation instead of burning resources to chase it down after they receive a claim. The use of standardized categories would also help reduce the cost of verifying eligibility by enabling automation in most cases, with labor-intensive screening limited to "other" or contested cases.[69]

A clear and simple process for filling out and submitting Separation Certificates will be crucial for the program's success.[70] To further reduce potential administrative burdens on employers, the federal and/or state governments should provide extensive support services to users as the new system rolls out.

Canada's early experience with their Record of Employment regime offers an example of what can go wrong

68. In general, employment is "covered" when earnings are subject to unemployment taxes

69. Particular attention must be paid to what total reduction in work hours requires employers to submit a Separation Certificate. Unlike job separations where there is definitively no work for a week or longer, reductions of work hours are more nuanced. They could range from several fewer hours worked to a 30-hour plus reduction. Employers may face a sizable administrative burden if minor decreases in hours force employers to notify the UI agency. This is essentially the case in New York, where employers must provide workers with a "Record of Employment" if their work was reduced to 30 hours per week or less — when they may qualify for partial unemployment benefits in the state. It may be appropriate to require a Separation Certificate only when a larger reduction in hours occurs. This could in parallel require a more consistent set of federal standards for partial unemployment benefits. See New York Department of Labor, *Record of Employment* (Albany, NY: 2023); New York Department of Labor, *Partial Unemployment Eligibility* (Albany, NY: 2023).

70. Matthew M. Young, Mallory Compton, Justin B. Bullock, and Robert Greer, "Complexity, Errors, and Administrative Burdens," *Public Management Review* 26, no. 10 (2023), pp. 2847–67.

when policymakers do not properly address employer concerns. In theory, the new ROE was a cutting edge innovation, "making it possible to cross-check by computer the validity of the information provided by the claimant and the employer." In reality, compiling the relevant information in a timely manner proved to be much harder than expected. One commission noted that it was "fairly common" for employers not to meet the requirement to issue an ROE within five days of the last pay period despite relatively hefty monetary and jail penalties for noncompliance.[71] Small businesses, which lacked sophisticated personnel management systems, were particularly likely to fail to meet these requirements. Agency officials still found themselves spending time working with employers to help them figure out how to fill out and submit the ROE in a timely and accurate manner.

A 1986 report from a government commission documented intense frustration from Canadian employers who struggled to understand how to translate vague definitions (e.g., what counts as insurable earnings, how to translate severance pay to weeks of earnings) into the calculations required to fill out the form. "Errors on this form," the commission concluded, "are the main cause of over- and underpayments of benefits and of delays in determining eligibility and processing the claimant's first benefit cheque." Additionally, incomplete information on these forms required costly investigations, even in cases where no improper payments were ultimately found. It would be another decade until the government finally overhauled its system to address these concerns. The 1996 reform simplified the ROE, reducing it from 35 pages of instruction down to four. The reform saved employers millions in time and money. Employment and Social Development Canada continued to make incremental technological improvements to further reduce paperwork burdens on employers. It maintains a robust Employer Contact Center today to help employers navigate the much simpler regime.[72] An American regime should heed all the lessons learned from Canada by combining simplicity with support.

There must also be sufficient incentives to ensure employers respond in a timely and accurate manner. States already have penalties on the books for situations where late or inadequate employer responses to requests for information cause improper payments but enforcement is often lackluster. In addition to providing robust support to employers attempting to submit information in a timely and accurate manner, state agencies should also be prepared to consistently apply fines in cases where employers do not make good-faith efforts to submit completed Separation Certificates before the deadline. Fraud warrants especially high penalties. In Canada, employers that commit fraud "may have to pay up to $12,000 per Record of Employment, or a fine that would total the amount of all claimants' penalties in relation to the offences."[73] Preserving the integrity of the certificate system would require assessing similarly aggressive fines in the United States.

If federal-level reforms aren't possible, individual states can choose to improve program performance. The states in the best positions to act are the seven that already have implemented separation notices with job-specific information. Right now, employers in these states usually face the burden of responding to requests for additional separation information after claims are submitted. Improving the quality of the separation notices can significantly reduce the need for such follow-up requests.

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71. Law Reform Commission of Canada, *Unemployment Insurance Benefits: A Study of Administrative Procedure in the Unemployment Insurance Commission*, (Ottawa: Law Reform Commission of Canada, 1977).

72. Human Resources and Skills Development Canada. *Commission of Inquiry on Unemployment Insurance - Report* (Ottawa: Human Resources and Skills Development Canada, 1986); Office of the Auditor General, Report of the Auditor General of Canada for the Fiscal Year Ended March 31, 1988 (Ottawa: Office of the Auditor General of Canada, 1988); Treasury Board, Reducing Paper Burden on Small Business: Making It Permanent, (Ottawa: Treasury Board of Canada Secretariat, 1997); Employment and Social Development Canada, Employment Insurance Monitoring and Assessment Report, 1998 (Gatineau: Canada Employment Insurance Commission, 1999).

73. Government of Canada, *Proactive Disclosure and Penalties* (Ottawa, Ontario: August 24, 2018).

Conclusion

As Congress works to address the unemployment insurance system's consistently high improper payment rate in the wake of the pandemic, lawmakers can draw on lessons from other countries. In the United States, verifying UI eligibility is a time- and resource-intensive process that typically begins after a claim has been filed. State UI agencies must balance prompt benefit delivery with accuracy, and it can be difficult to accomplish both. Employers may struggle to respond to UI agency notices before tight deadlines, especially if mailed requests for separation information arrive late. Without accurate and actionable information from employers, UI agencies must make decisions with the limited information on hand. This is part of the reason the national improper payment rate for unemployment insurance still hovers around 15 percent.

In contrast, we find that Canada's Record of Employment regime – where employers provide comprehensive information pertaining to the specific worker's eligibility for benefits to the country's UI agency upon separation – has enabled Canada to achieve a much lower improper payment rate by keeping separation errors to a minimum.

Unlike in Canada, there is no federal requirement for U.S. employers to provide workers or UI agencies with job-specific separation information when an employee departs. Individual states have adopted different approaches, ranging from requiring no separation documentation to having employers fill out a standardized notice that includes the reason for separation and sharing it with the worker and/or the state UI agency. Only two states require employers – under certain circumstances – to proactively send a standardized separation notice that includes a reason for separation to the UI agency. Even then, the UI agencies often still need to follow up with employers to gather additional nonmonetary information.

Congress has a responsibility and an opportunity to shore up program integrity in one of the most vital safety net programs for workers and their families. Collecting the reason for separation when it occurs would help UI agencies make a comprehensive eligibility assessment earlier in the benefit application process. Requiring all employers to submit a separation certificate through a centralized portal like the existing State Information Data Exchange System could prevent up to 20 percent of improper payments, accounting for more than $1 billion per year. By integrating the use of a formal Separation Certificate — similar to Canada's Record of Employment — that automatically goes to state agencies whenever there is an employee separation, Congress can improve program integrity, reduce improper payments, and ensure workers have access to temporary benefits that support them and their families as they get back on their feet.

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