Political-Economic Inequality Bias via Administrative Error Detection:

Bureaucratic Targeting in the Administration of Unemployment Insurance Programs in the American States

George A. Krause†
University of Georgia

and

Ji Hyeun Hong‡
University of Georgia

Version 5.7
Draft as of
May 9, 2024

---

* Earlier versions presented at the 2023 Midwest Political Science Association Annual Meetings, Chicago, IL: April 13, 2023; 2023 State Politics and Policy Conference, Pittsburgh, PA, May 19-20, 2023; and the 2023 Southeastern Conference of Public Administration, Atlanta, GA, September 28-30, 2023. We thank Scott Cook, Matthew Howell, Michael Kistner, Amber Lusvardi, and several conference participants for helpful comments. All errors and omissions remain our own.

† Alumni Foundation Distinguished Professor of Public Administration, Department of Public Administration and Policy, School of Public and International Affairs, University of Georgia, 280G Baldwin Hall, Athens, GA 30602. gkrause@uga.edu. ***Corresponding Author***.

‡ Ph.D. Student, Department of Public Administration and Policy, School of Public and International Affairs, University of Georgia, 204 Baldwin Hall, Athens, GA 30602. jihyeun.hong@uga.edu.

Keywords: Administrative Error Detection; Political Inequality Bias; Gubernatorial Appointment Authority; Partisan Politics; Executive Branch Coordination; Unemployment Insurance Programs in the American States

Abstract

The exercise of administrative discretion often generates outcomes that favor some societal groups relative to others. These administrative biases are analyzed based on administrative error detection (AED) of claimant overpayments from unemployment insurance programs (UIPs) in the American states between 2002-2021. AED of claimant overpayment errors constitute a zero-sum transaction that imposes a financial cost to unemployed workers that directly translates into a financial benefit to employers. The partisan differential between Republican and Democratic governors with direct appointment control over UIP agency heads are associated with a within-state average of $1.907 million higher targeting of overpayments to unemployed claimants seeking benefits relative to those agencies where Democratic governors enjoy such powers. This represents a within-state average per claimant overpayment case partisan differential of $445.94. These findings underscore how executive branch coordination can foster political inequality biases arising from the administration of government policies, thus shaping the distribution of benefits and costs to both labor and business.

WORD COUNT: **8,166** (Excluding Title Page & Abstract)

The study of government policymaking revolves around a fundamental question regarding — *Who Gets What When and How?* — based on the distributive nature of policy choices made by governments (Lasswell 1936). Addressing these questions can offer insight into political inequality biases – that is, which set of interests are made relatively better or worse off from government policy decisions (Hertel-Fernandez 2019; Hacker and Pierson 2010; Schneider and Ingram 2019; Skocpol 2000). Recent studies of pluralist democracy focus on how American governments use their policymaking authority to shape distributional outcomes that advantage privileged interests within the American polity. These studies cover diverse applications ranging from the distribution of federal funds (e.g., Kriner and Reeves 2015; Dahlstrom, et al. 2021) to welfare policy design and institutions (Campbell 2003; Hacker 2005; Pierson 1994; Schneider and Ingram 2019). On a normative level, however, government agencies are charged with administering policies in a consistent and impersonal application of rules and laws (Galbreath and Rose 2008). The gap between this normative ideal and empirical reality of government administration is substantial. We define this gap as representing administrative bias since discretionary administrative choices generate inequality biases that favor one set of societal interests relative to another set of interests.

Two critical aspects of government policymaking are overlooked with respect to understanding how political inequality bias is manifested within the American political system. First, most studies focus primarily on the consequences of government policy decisions solely for privileged interests, such as wealthy citizens (Hacker and Pierson 2010; Vogel 2003; cf. Carnes 2013) or corporate interests (e.g., Hertel-Fernandez 2019). Second, existing studies do not provide direct meaningful comparisons regarding how more vulnerable societal interests (e.g., unemployed citizens/labor) fare from bureaucratic discretion vis-à-vis affluent societal interests (e.g., employers/business). This is a critical lacuna at the intersection of public policy, governance, and American political economy because the working class are severely under-represented in terms of advocacy power since they hold disproportionately lower shares of elected positions in U.S. federal,

state, and local governments (Carnes 2013), while also bearing the brunt of policy outcomes (Galvin 2016). In addition, existing studies on this topic focus primarily on policy decisions made by elected officials (e.g., Hertel-Fernandez 2019; Kriner and Reeves 2015; cf. Yackee and Yackee 2006) or policy outcomes manifested via the economy (e.g., Franko and Witko 2018; Kelly and Witko 2012; Hacker 2005; Pierson 1994). Research on this topic can be bolstered by focusing on the exercise of power by administrative agencies to shape which segments of society bear the costs and benefits from the exercise of government authority. Although past studies offer crucial insights into how the exercise of bureaucratic discretion shapes the implementation of social welfare policies and programs (e.g., Soss, Fording, and Schram 2011), they do not consider administrative choices that weigh competing political-economic interests such as labor versus business.

This study offers a novel perspective on political inequality biases generated from administrative agencies by focusing on administrative error detection (AED) efforts by U.S. state agencies charged with managing unemployment insurance programs (UIPs). This analysis of AED efforts evaluates how state agencies use their discretionary authority to target the detection and corresponding correction of administrative errors. These AED efforts involve the detection and correction of UIP compensation overpayments to unemployed workers which are subsequently credited to employers' UIP fund account balances (U.S. Department of Labor 2020: 5-7). These administrative activities yield a zero-sum redistribution of program funds from claimants to employers. Analysis of these claimant overpayment errors therefore permits a direct comparison between the amount of government effort dedicated towards generating direct policy outcomes between competing interests within American political economy: *Labor versus Business*. Analysis of AEDs offers insight into the relative priorities exercised by state UI agencies to address monetary discrepancies in program administration. This dual labor-business focus on program administration offers a design-based advantage of analyzing a single policy area that engages in common administrative tasks (Carpenter 2020).

The mechanism of interest for evaluating political inequality biases in AED efforts is manifested by the appointment power held by governors in their selection of agency heads. Rooted in core partisan constituency differences, Republican governors have a greater incentive to target administrative errors that retract benefits from labor interests (unemployed workers) that directly translate into reducing expenses to business (employers). AED efforts should exhibit the greatest targeting of claimant overpayments when Republican governors enjoy direct authority over state UIP agency head appointments. Panel data findings of unemployment insurance programs (UIP) in fifty American states from 2002-2021 yields support for understanding how appointment structures affect how partisan governors shape administrative efforts in detecting these programmatic errors. Republican governors exercising direct appointment control over UIP agency heads are associated with a within-state average of $1.907 million higher targeting of overpayments to unemployed claimants seeking benefits relative to those agencies where Democratic governors enjoy these appointment powers. This represents a within-state average per claimant overpayment case partisan differential of $ 445.94 ($ 1,906,955.64 / 4,276). This study's findings highlight a key and underappreciated mechanism associated with executive branch governance – executive branch coordination can facilitate greater political inequality biases that are manifested through *both* economically vulnerable (unemployed workers/labor) and privileged (employers/business) groups.

Political Inequality Bias and the Distributional Consequences of Administrative Error Detection in State Unemployment Insurance Programs

Background on State Unemployment Insurance Compensation Programs (UIPs)

The Unemployment Insurance Program (UIP) was created as a joint state-federal program in 1935 under the Social Security Act to provide short-term financial aid to unemployed workers. This program is funded by taxes on employers. Employers that routinely lay off more workers, leading them to claim unemployment benefits, are required to pay higher unemployment tax rates

under the experience-rating system (Kovalski and Sheiner 2020; U.S. Department of Labor **nd**). The financing of UIPs necessarily pits unemployed claimants (*Labor*) versus employers (*Business*) as opposing economic interests. Specifically, claimant overpayment errors detected by the agency can result in psychological costs of stigmatization that lowers participation by unemployed citizens to obtain benefits from such programs (Herd and Moynihan 2019), and also tangible economic costs (Friedman 2020). Once detected by the agency, the financial burden for paying back the overpaid amount falls on the claimant, unless the claimant requests a waiver under limited circumstances (cf. See U.S. Department of Labor 2021: Table 6-2. Recovery of Nonfraud Overpayments for greater details on each state provision). Employers' unemployment insurance account balances are reimbursed (i.e., credited) when claimant overpayment errors are detected by state UIP agencies (U.S. Department of Labor 2011: 3; cf. See Federal Unemployment Tax Act Section 3303(a)(1) for the original provision). Hence, AEDs represent a zero-sum transaction between Labor and Business, whereby, greater bureaucratic targeting of claimant overpayment errors accrue to the benefit employers at the expense of unemployed workers.

State UIP agencies enjoy substantial discretion in administering this program within the parameters defined by federal laws and Department of Labor guidelines. Agency heads are responsible for managing this program. Anecdotal evidence suggests that these agencies exercise significant decision-making power throughout the administrative process ranging from investment decisions for fraud detection software, adjustment of eligibility criteria for claimants, and the stringency of improper payment detection. For example, a recent audit in Michigan revealed that its unemployment insurance agency director had instructed staff "*not to find fraud against claimants*" and to reallocate payment accuracy investigators to claims processing unit during the Covid pandemic (LeBlanc 2023). Determination of eligibility criteria is also a discretionary function of agency executives. For instance, the administrative priorities of the Texas Workforce Commission in recent years differ from those in the state of Michigan based upon the respective executive

directors' decisions to reintroduce work-search requirements for unemployment benefits after temporarily waiving them (Venkataramanan 2020). State UIP agencies exercise considerable policymaking authority, including beyond those emanating from 'red tape' requirements imposed by elected officials on administrative activities (Herd and Moynihan 2019). Governors' ability to affect the distribution of policy benefits and costs among labor and business interests from this program, therefore, is contingent upon them having direct appointment authority.

Analysis of the state UIPs offers both a novel lens for understanding how political inequality bias attributable to executive branch governance affects competing labor— business interests within society. UIPs focus on vulnerable citizens that is often overlooked in studies of political inequality that disproportionately analyze the flow of benefits to economically privileged segments of society (e.g., Hertel-Fernandez 2019; Kriner and Reeves 2015; Yackee and Yackee 2006; cf. Carnes 2013). UIPs provide insight into political inequality biases for distinct opposing interests within the American political economy: Labor (claimants) and Business (employers).

Administrative Error Detection and State Unemployment Insurance Programs

Administrative errors represent an important source of variation involving policymaking bias that has tangible distributional consequences. Administrative errors constitute decision-making biases that benefit one outcome or set of interests relative to another. For instance, previous studies examine program overpayment errors in U.S. federal programs (Greer and Bullock 2018; Lee 2021; Park 2022). These studies, while informative for advancing our understanding of administrative performance, focus on past decision errors generated from quality control sample surveys of the population of payment transactions. Sampling estimates identify the incidence rate of administrative errors in a feasible manner given the inordinately large volume of payment transactions that take place. Park's (2022: 39—77) study of U.S. federal program overpayment errors acrtoss 56 U.S. federal agencies reveals that the sampling estimates are based on anywhere between approximately between less than 0.01% and 20.26% of the population of payment

transactions. In the case of state UIPs analyzed in this study, claimant overpayment error sample coverage represents an average ranging from 2.25% to 9.57% of the population of payment transactions between 2002-2021.[1]

This study offers a novel analysis of administrative error detection (AED) that is determined at an agency's discretion based on the payment errors identified by quality control samples. AEDs thus represent administrative priorities in terms of both the locating and correction of administrative errors. In the realm of state-level UIPs, AED efforts involve cross-referencing central office wage-record files with benefit payments made during the same period or conducting field surveys to verify payroll information directly from employers (U.S. Department of Labor 1990). These activities represent an *active*, *discretionary* investment of bureaucratic targeting since these field investigations conducted by each state UI agency's Benefit Payment Control (BPC) unit differ from sampling estimates generated by routinized, weekly summary evaluations obtained through each state UIP agency's Benefit Accuracy Measurement (BAM) quality control survey.[2]

The substantive focus of this study is restricted to state UIP agencies' overpayment detection efforts for both legal and substantive reasons. Section 303(a) in the Social Security Act requires that state UIP agencies' administration of unemployment benefits to be "… *to insure full payment of unemployment compensation when due…."* and to have these payments *"….found by*

[1] This claimant error rate is obtained from the U.S. Department of Labor's estimate in each year's Payment Integrity Information Act Annual Report, Section 'Overpayment by Responsibility'. Source: U.S. Department of Labor ETA. **nd.** Integrity Rates by Responsibility [Dataset]. https://oui.doleta.gov/unemploy/bqc.asp [*Accessed: April 16, 2024*].

[2] For example, the total number of Georgia BPC's overpayment detection investigations between 2015 – 2019 ranged from 16,065 cases (in year 2017) to 33,927 (in year 2015) cases a year. Georgia BAM unit's investigation is informed by a randomly drawn sample of relatively stable size over years ranging from 480 cases (in year 2015 and 2016) to 527 cases (in year 2017).

the Secretary of Labor to be reasonably calculated (Social Security Act 1935: 1750)."[3] These overpayment reporting efforts are required by all state UIP administering agencies on a quarterly basis in the form of *ETA-227 Overpayment Detection and Recovery Activities* to the U.S. Department of Labor ETA to confirm that they meet the required standards. Since underpayments tend to be rather modest, the federal government does not mandate state UIP agencies to report specific instances of underpayment error detection (Overpayment Detection and Recovery Activities 2022: 80196—80197).[4] Due to the high volume of transactions, coupled with limited administrative resources, state UIP agencies prioritize potential sources of error detection. State UIP agencies assess claimant overpayment errors by cross-matching claimed weeks of benefits against actual wages, as well as investigating work search activities by these unemployed workers.

Because administrative errors identified from periodic quality control samples neither require active bureaucratic search for such problems (Bendor 1985; Simon 1947) nor case-specific resolution, this activity is distinct from the AED processes that are central to understanding the exercise of bureaucratic power in favoring business interests (employers) at the expense of labor

[3] The Employment Security Manual Section 7511, Part V, states that the Secretary of Labor interpreted these federal requirements to further mandate that state unemployment agencies to guarantee methods "*(1) to detect benefits paid through error by the State Workforce Agency (SWA) or through willful misrepresentation or error by the claimant or others, (2) to deter claimants from obtaining benefits through willful misrepresentation, and (3) to recover benefits overpaid.*".

[4] Underpayment error detection is relatively infrequent when compared to overpayment error detection. The U.S. Department of Labor's ETA 2019 annual report indicates that estimated underpayment rates are, on average, 0.349%, while estimated overpayment rates are, on average, 10.269% (U.S. Department of Labor ETA 2019: 6). The Louisiana Workforce Commission's state audit report, for example, found no instances of underpayment detection in the past two months leading up to the report's publication date (Louisiana Workforce Commission 2016: 5).

(unemployed claimants). AED errors therefore require investments of effort *ex ante* by public agencies (Turner 2017). The analysis of AEDs has political-economic consequences for government programs since it reveals costs imposed on one set of societal interests (Labor) relative to the benefits obtained from a competing societal interest (Business). Next, a logic is presented that explains how gubernatorial control of appointment authority over state UIP agency heads affects the relative distribution of AEDs via bureaucratic targeting of overpayment errors.

Partisan Governors, Appointment Structures, and Political Inequality Biases in State Unemployment Insurance Programs

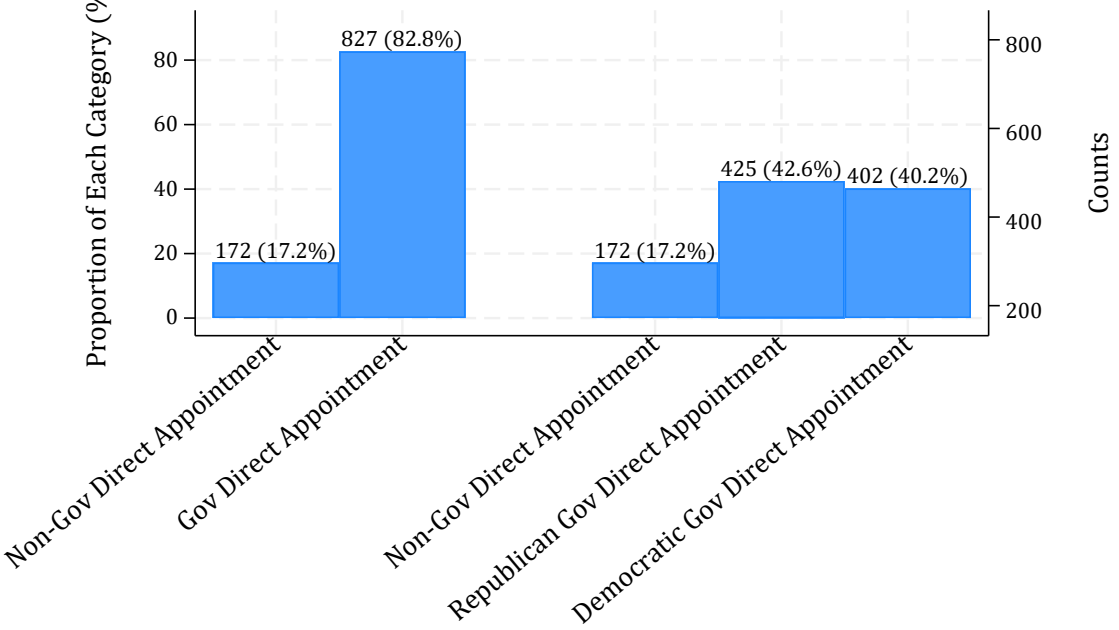
Politicians face incentives to have administrative agencies offer policy decisions or information that adhere to the former's own preferences and goals. This study seeks to understand the role of distinct appointment structures for shaping the ability of partisan governors to attain AED outcomes consistent with their own policy preferences. This is a critical consideration in state UIP administration since governors are subject to blame for mismanagement of these programs in many states, including Kentucky (Schreiner 2021), Illinois (Mahr and Petrella 2022), and Michigan (LeBlanc 2023; Roberts 2020). **Figure 1** displays the *proportion* (left Y-axis) and *frequency* (right Y-axis) breakdown of appointment structures in agencies responsible for administering UIPs in 50 American states during the 2002-2021 sample period.[5] The first panel represents the simple binary distinction between those state UIP agency heads who are not a direct gubernatorial appointment (*Non-Gov Direct Appointment*, 172 state-year observations, 17.2% of sample) versus those that involve the governor directly selecting the individual to serve in this agency leadership position (*Gov Direct Appointment*, 827 state-year observations, 82.8% of sample).

Appointment structures can also be disaggregated by direct partisan gubernatorial

[5] See **Appendix Table A1** for a complete listing of state-years covering each of these appointment regimes, including the specific appointment structures depicted in **Figure 1**.

appointments (*Republican Gov Direct Appointment*; *Democratic Gov Direct Appointment*). This measure permits partisan distinctions when governors enjoy direct appointment authority that is critical to effective executive branch coordination. The baseline category, *Non-Gov Direct Appointment*, is previously defined, and the remaining sample observations are comprised of 425 state-year observations (42.6%) where Republican governors held direct appointment authority over state UIP agency heads (*Republican Gov Direct Appointment)*, and the remaining 402 state-year observations (40.2%) are represented by Democratic governors holding such direct appointment authority over these agency officials *(Democratic Gov Direct Appointment*).

Figure 1 Distribution of Appointment Authority
(Unemployment Insurance Agency Heads in the American States, 2002-2021)



From a partisan political economy perspective, the Republicans party often favors business interests while Democratic party is more closely aligned with labor and working class interests (Bartels 2016; Franko and Witko 2018; Kelly and Witko 2012; cf. Hacker and Pierson 2010), it is natural to infer that Republican governors with direct appointment authority will prefer a higher level of targeting overpayment errors to claimants since they benefit business at the expense of

labor. Yet, the structure of appointment authority will be critical in determining the extent to which administrative targeting efforts correspond to these partisan policy preferences for governors. Appointment authority offers an institutional mechanism that can either facilitate or blunt executive branch coordination between governors and agency leadership in the conduct of administrative policymaking. The importance of executive branch coordination facilitating democratic policy preferences relies upon public agencies' exercising discretionary authority. State UIP agency head appointments, directly chosen by governors to serve in at-will positions, will be more likely to attain effective executive branch policy coordination in line with the governors' partisan policy preferences compared to those state UIP agency heads not directly appointed by governors.

State UIP agencies are posited as being most aggressive in detection targeting of claimant overpayment errors when Republican governors enjoy direct appointment authority, followed respectively by non-direct gubernatorial appointments and Democratic governors with direct appointment authority. In this context, political inequality bias transpires when systematic partisan differences occur, both between partisan governors enjoying direct appointment authority, and in relation to the baseline where the governor does not have the power to select a UIP agency head. Next, the empirical strategy for evaluating these political inequality biases is presented.

Data and Empirical Strategy

Political inequality biases are generated from the analysis of AED overpayment errors by 50 U.S. state agencies charged with administering UIPs subject to U.S. federal employment laws from 2002-2021 ($N \times T = 999$ observations).[6] These administrative detection errors arise from the

[6] See in **Appendix A** (**Table A2**) for descriptive statistics and data sources for variables. The sample covers 999 observations instead of 1,000 ($N \times T = 50 \times 20$), as the U.S. Department of Labor's raw database excludes 2014 Florida due to insufficient BAM sampling (U.S. Department of Labor 2014: 3).

"*misrepresentation of the facts, failure to provide timely and/or accurate information to support a claim of benefits, or a general misunderstanding of obligations and benefit rights*" (U.S. Department of Labor ETA 2017: 162) *that it not due to a 'willful' misrepresentation.*" – i.e., fraudulent activities (U.S. Department of Labor ETA 2017: 165). The total annual constant dollar amounts for each type of non-fraud AED are analyzed since they constitute aggregate policy outputs generated from state UIP agencies' identification and correction of programmatic overpayment errors. These measures account for the distributional consequences of political inequality bias for labor and business that are inadequate when analyzing the volume of cases.[7] Moreover, fraud-induced overpayment errors are excluded from these measures since fraudulent activities are often identified by sources external to both the agency's discretion and control.[8]

The dependent variable, *Overpayment Detection for Claimants*, is measured as the annual sum of claimant-responsible non-fraud overpayments that are detected by state agency adjusted in 2010 dollars.[9] This measure accounts for the bureaucratic targeting effort by state UIP agencies when such errors redound to the financial benefit of unemployed workers (claimants). The overall average amount for claimant error detection is $12 million with an overall standard deviation of $28.6 million, ranging between $0.04 to $474 million (within-state standard deviation: $21.5 million, ranging between $−58.2 million and $396 million). Given the positive skewness in these

[7] The monetary value associated with the volume of these cases exhibits considerable variation. Claimant overpayment error detection per case ranges between $81.21 and $4,912.93 (Median = $ 484.64). Additional information on the legal aspects of these distinct type of overpayment errors can be found in **Appendix A: *B. Overpayment Detection for Claimants: Substantive Consequences and Their Legal Bases*** subsection [7-8].

[8] For additional information, please see **Appendix A**: ***Overpayment Detection for Claimants*** subsection [6-7]).

[9] U.S. Department of Labor ETA. 2022. ETA-227 Overpayment Detection and Recover Activities – Regular Program, 2002-2021 [Dataset]. https://oui.doleta.gov/unemploy/DataDownloads.asp *[Accessed: September 26, 2022]*.

AED claimant overpayment errors data (skewness = 7.64), the median AED amounts reveal that the size of the overall/within-state median state-year *Overpayment Detection for Claimants* is $3.889 million / $−0.610 million. Administrative efforts to root out claimant overpayment errors for state UIPs constitute substantial programmatic activity undertaken by American states. Based on data from fifty American states between 2002-2021, the average annual state volume of claimant overpayment error detection cases is substantial based on the volume of cases (Mean = 17,891, SD = 29,294, Min = 83, Max = 341,361). The corresponding overall average per case value of claimant overpayment error detection in a state-year is $576.65 (SD = $ 420.34, Min= $ 81.21 Max = $ 4,912.93).

The primary covariates of interest relate to the state agency head's appointment authority. States vary in gubernatorial control over selection of the unemployment agency head (see **Appendix A** for the classification of each state's appointment authority regime).[10] In some states, agency heads are directly appointed by the governor, while in other states governors lack direct appointment authority – that is, they lack formal authority over appointment choices. **Table 1** presents these pair of classifications, one that reflects the binary distinction between (1) non-direct [including non-partisan governors with direct appointment powers]/direct gubernatorial appointment authority distinctions], (2) non-direct/Republican governor direct/Democratic governor direct trichotomous classification.[11] Each state-year appointment authority is coded to

[10] The raw data of the state agency head's appointment mechanism indicator variables was obtained from the *Book of the States* between 2002-2021. Additional details on the coding of this information into the variables analyzed in this study appear directly below **Table A1** (**Appendix A**).

[11] The appointment variables analyzed in this study exhibit sufficient within-state variation through time based on the between-within standard deviation ratio (Non-Partisan Gubernatorial Direct Appointment [**Models 1** & **2**]: Full Sample: 2.253 = 0.3479 /0.1544, Restricted Sample: 2.293 = 0.3114 / 0.1358; Partisan

account for changes in appointment authority and gubernatorial partisan control within each state during the sample period. In addition, we both perform and report sensitivity checks using a restricted sample that affects the baseline non-direct gubernatorial appointment authority cases by omitting cases with non-partisan governors (n = 5), as well as those governors lacking direct appointment authority but enjoying approval power over state UIP agency heads (n = 42).

TABLE 1

Distribution of Partisan Appointment Authority: State UIP Agency Heads

Category Number	Category Title	Definition
0 / 0	Non-Direct Gubernatorial Appointment Authority	Governors ***DO NOT*** appoint state UI agency heads; or serve as non-partisan/independent governors.
1 / —	Direct Gubernatorial Appointment Authority	Governors select state UI agency heads
— / 1	Direct Appointment Authority: Republican Governors	Republican governors appoint state UI agency heads.
— / 2	Direct Appointment Authority: Democratic Governors	Democratic governors appoint state UI agency heads.

AED for state UIPs might also be shaped by political factors that may potentially confound the executive branch coordination effects attributable to the primary mechanism regarding the nature of gubernatorial appointment authority. *Election Year* is a binary indicator of "1" if there is a gubernatorial election in a given state for a given year and "0" if otherwise. This variable accounts for electoral incentives for administrative detection of UIP overpayment errors. During gubernatorial election years, UIP agencies are predicted to increase their error detection efforts as the incumbent governor may benefit from targeting errors in government programs for electoral purposes in terms of credit claiming or avoiding blame. *Economic Policy Liberalism* accounts for the degree of economic policy liberalism reflected by state government policymaking in given year

---

Gubernatorial Direct Appointment [**Models 3** & **4**]: Full Sample: 1.413 = 0.5934 / 0.4199, Restricted Sample: 1.334 = 0.5504 / 0.4127).

(Caughey and Warshaw 2016).[12] When a state's policies are comparatively liberal, UIP agencies might respond accordingly by reducing the targeting of both overpayment errors since they might wish to lower both costs and benefits respectively obtained by labor and business interests. *Public Sector Unionization* accounts for organized public sector union effects on UIPs. This variable is defined as the percent unionized public sector workforce for a given state-year and is thus hypothesized as being associated with lower levels of overpayment detection efforts since they confer costs and benefits on labor and business, respectively.

Additional control variables are included to account for both resource and demand-side effects influencing state UIP agencies' AED efforts. *Agency Budget Size*, measured as the log-transformed 2015 constant dollar total administrative expenditure of the state UIP agency for a given year. This covariate captures resource-based investments for agencies that might shape their AED behavior. Simply, more resource-rich agencies have greater organizational capacity to detect administrative errors. *Unemployment Rate* is measured as the percentage of seasonally adjusted unemployment rates of a given state within a given year[13], and hence, reflects demand-side effects that are external to the agency. This covariate should be positively correlated with AED since rising unemployment conditions should bear greater pressures on UIPs than compared to when economic conditions reflect lower levels of unemployment. *Ln*(*Total Paid Claims*) account for demand-side effects internal to state UIP agencies which are likely to be correlated with AED efforts on claimant

[12] Christopher Warshaw and Devin Caughey. "Mass Ideology and Policy Liberalism of American States from 1936-2020," http://www.chriswarshaw.com/data.php *[Accessed: October 16, 2022]*. This measure is based on the state-year posterior median of a dynamic latent measure analyzing state economic policies (e.g., taxes, social welfare, and labor regulation).

[13] U.S. Bureau of Labor Statistics. "Local Area Unemployment Statistics. 2002-2021," https://beta.bls.gov/dataQuery/find?fq=survey:%5Bla%5D&s=popularity:D *[Accessed: December 22, 2022]*.

overpayments. This control variable is measured as the natural log of the total number of paid claims made by each state UIP agency for a given year. This 'scale effect' control covariate is expected to be positively associated with claimant overpayment detection efforts as they increase the demand for detection efforts.[14] *Ln* (*BAM Sample Estimate of Total Claimant Error)* is the natural log of the sampling estimate of total claimant errors from the population of such transactions during a given state-year. This measure accounts for supply-side effects relating to the severity of claimant errors. Higher sampling estimates of claimant errors should be indicative of greater problem severity, and hence, result in greater AED effort of claimant overpayment errors.

A lognormal regression modeling approach is applied to these data since the dependent variables exhibit both strong positive skewness and leptokurtosis. Lognormal regression models are ideally suited for explicit modeling of positively—skewed continuous data that are bounded between zero and positive infinity. Lognormal regression is preferrable to OLS—Log estimation when such transformations yield distortions in the dependent variable that render them a poor representation of the actual data generating process.[15] The lognormal regression model has been widely used in the analyses of data with similar distributional properties — including the analysis

[14] Automated filing methods (i.e., internet and telephone), are shown to have a lower incidence of sampling errors (Compton, et al., 2023). These data, however, are restricted to only the BAM quality control sampling error estimates, and thus do not exist for AED efforts by state UI agencies. The best that can be done given these data availability limitations is to account for such sampling error rate variation by including the BAM quality control survey sampling estimates of total claimant errors based on constant-dollar amounts as a control covariate.

[15] The correlation between the actual claimant overpayment error detection measures and their logarithmic transformations on the same full set of observations reveals the nature of this 'mapping' problem (0.648). Weak correlations imply that log transformations of these variables are likely to yield biased statistical inferences since they are not representative of the true data generating process (see Diwakar 2017).

of stock prices (Errunza and Losq 1985), income distribution (Alexeev and Clifford 1993), and reliability analysis in engineering (Keller et al. 1982). Finally, all models include both state and year fixed effects, plus robust standard errors that are cluster-adjusted by state.

Statistical Evidence

The maximum likelihood estimates from the lognormal regression models in **Table 2** analyze the effect of direct gubernatorial appointment authority versus a baseline where governors lack direct appointment authority (**Models 1 & 2**), as well as making partisan distinctions regarding direct appointment authority (**Models 3 & 4**). **Models 1** & **3** include the full sample of data, while **Models 2** & **4** omit observations in the *Non-Gubernatorial Appointment Authority* baseline subset of cases where Governors only enjoy approval authority over appointment selections made by other institutional actors ($N = 42$), or in state-years where non-partisan governors ($N = 5$) hold office. By excluding these cases, we can examine whether the findings in the manuscript are not an artifact of the type of data design employed to evaluate the gubernatorial appointment authority effects.

Both election years (*Election Year*) and greater agency resources (*Agency Budget Size*) are associated with higher levels of detection for claimant overpayments, while rising state unemployment rates (*Unemployment Rate*) are associated with lower detection of claimant overpayment errors affecting unemployed workers. Contrary to expectations, increases in state economic government policy liberalism (*Economic Policy Liberalism*) are positively related to claimant overpayment detection. This counterintuitive finding might reflect 'administrative buffering' by state UIP agencies against policies made by electoral institutions that favor dominant state economic policy interests. However, it is also plausible that this finding suggests that the administration of state UIPs are not representative of the broader class of state economic policies covered by the *Economic Policy Liberalism* measure.

TABLE 2

Gubernatorial Appointment Authority Models of Overpayment Errors: Unemployment Insurance Programs in the American States (2002-2021)

Variable	(Full Sample) (M1)	(*Restricted Sample*) (M2)	(Full Sample) (M3)	(R*estricted Sample*) (M4)
Gubernatorial Direct Appointment	**0.209*** (0.070)**	**0.217*** (0.071)**	_____	_____
Republican Gubernatorial Direct Appointment	_____	_____	**0.434*** (0.094)**	**0.444*** (0.094)**
Democratic Gubernatorial Direct Appointment	_____	_____	**−0.159 (0.257)**	**−0.149 (0.256)**
Election Year	0.226* (0.105)	0.223* (0.123)	0.285*** (0.077)	0.285*** (0.077)
Economic Policy Liberalism	1.133*** (0.312)	1.136*** (0.311)	1.186*** (0.333)	1.187*** (0.333)
Public Sector Unionization	−0.030 (0.031)	−0.030 (0.031)	−0.011 (0.018)	−0.011 (0.018)
Unemployment Rate	−0.169*** (0.062)	−0.170*** (0.062)	−0.128** (0.058)	−0.129** (0.058)
ln (Agency Budget Size)	1.774** (0.761)	1.776** (0.762)	1.548*** (0.587)	1.549*** (0.588)
ln (Total Paid Claims)	−0.334 (0.510)	−0.336 (0.512)	−0.133 (0.343)	−0.133 (0.344)
ln (BAM Sample Estimate of Total Claimant Error)	0.261* (0.148)	0.263* (0.149)	0.239* (0.126)	0.240* (0.126)
Constant	−13.105 (9.999)	−13.136 (112.735)	−12.622 (8.925)	−12.652 (8.924)
Year Fixed Effects	**YES**	**YES**	**YES**	**YES**
State Fixed Effects	**YES**	**YES**	**YES**	**YES**
Log-Likelihood	−17,609.36	−16,802.74	−17,566.11	−16,761.50
AIC	35,282.72	33,669.49	35,188.21	33,579.01
BIC	35,439.74	33,824.96	35,325.60	33,715.05
Number of Observations	999	952	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.

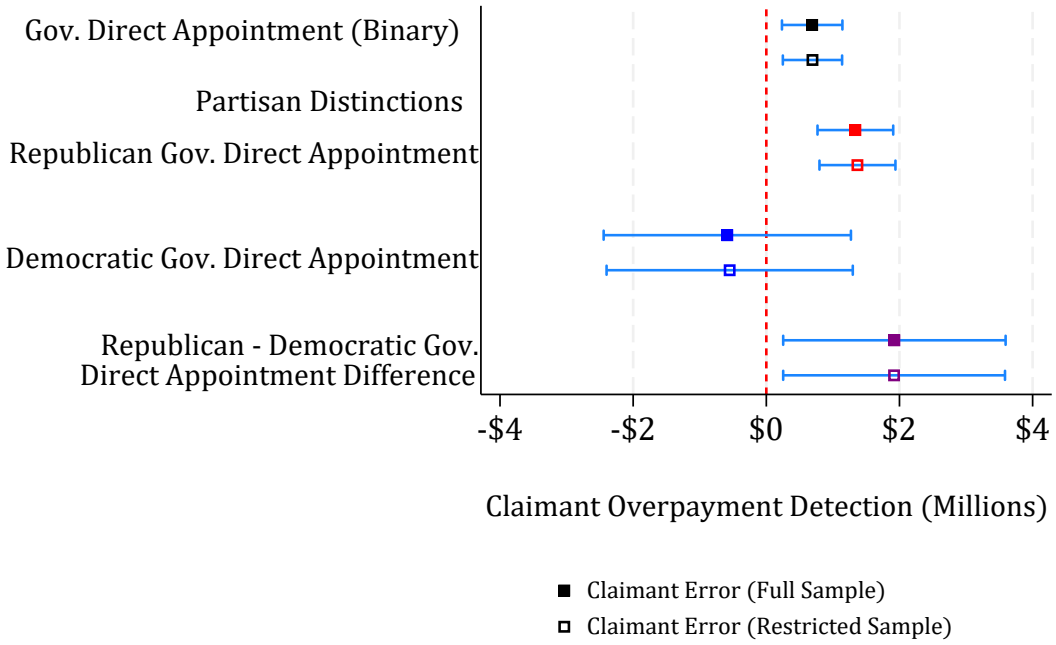
Estimates of absolute detection bias associated with partisan gubernatorial direct appointment authority of state UIP agency heads appear in graphical form in **Figure 2** for claimant overpayment errors from **Models 1–4**. To facilitate meaningful evaluations of estimated claimant overpayment errors, substantive marginal effect estimates are derived by multiplying interquartile change of each respective dependent variable by the corresponding appointment authority coefficient estimate appearing in **Table 2**. All estimates are interpreted as constant total dollar amount within-state deviations from the baseline category where the governor lacks direct appointment authority. Claimant overpayment error full sample estimates are denoted as solid squares, those from the restricted sample are denoted as hollow squares. The top panel of **Figure 2** [***Gubernatorial Direct Appointment***] is based on the appointment authority estimates from models **M1** and **M2** reported in **Table 2**. A standardized interquartile marginal increase in claimant overpayment errors yields a within-state average of $0.687 million ($160.55 per case) and $0.699 million ($160.62 per case) higher amount when governors' exercise direct appointment authority compared to when they do not based on $p < 0.01$.[16] These estimates, however, do not account for the governor's partisan control over state agency heads charged with administering UIPs.

When partisan governor distinctions are considered in the form of **Republican and Democratic Gubernatorial Direct Appointment** estimates found in models **M3** and **M4** appearing in **Table 2**, however, these estimates reveal that Republican governors with direct appointment authority are primarily responsible for a substantially higher level of detection when it comes to overpayment claimant errors (see **middle panel: *Partisan Distinctions***]. Specifically, Republican

[16] This average value per case is computed as the estimated within-state marginal effect divided over the within-state interquartile difference in the relevant case count (Full Sample: $686,558.71 / 4,276 = $160.55; Restricted Sample: $699,163.78 / 4,353 = $160.62).

Figure 2 Appointment Authority Effects on
Claimant Overpayment Error Detection

(Unemployment Insurance Agency Heads in the American States, 2002-2021)



governors with direct appointment authority have a greater within-state average of $1.321 ($1.350) million ($p < 0.001$) detection amount of claimant overpayment errors compared to the baseline when governors lack direct appointment authority in the full (**M3**) and restricted (**M4**) sample models. This substantive effect constitutes a within-state average absolute detection bias of $260.09 and $265.87 per claimant overpayment case in each respective model.[17] Conversely, Democratic governors with the same appointment powers exhibit a within-state average estimate of $−0.586 ($−0.550) million less than the gubernatorial non-direct appointment baseline amount. However, these **M3** and **M4** model estimates are not statistically discernible from the baseline

[17] This average value per case is computed as the estimated within-state marginal effect divided over the within-state interquartile difference in the relevant case count (Full Sample: $1,320,727.81 / 5,078 = $260.09; Restricted Sample: 1,350,099.32 / 5,078 = $265.87).

category where governors lack direct appointment authority in the full sample (p= 0.536) and restricted sample (p = 0.560).

In terms of partisan differential estimates, Republican governors with direct appointment authority over state UI agency heads target correcting administrative errors relating to unemployed claimants are associated with a within-state average $1.907 million (p = 0.025) and $1.900 million (p=0.025) higher error detection compared to Democratic governors enjoying the same appointment authority (see **bottom panel:** ***Republican— Democratic Gov. Direct Appointment Difference***].[18] This represents a within-state average per claimant overpayment case partisan differential of $445.94 ($1,906,955.64 / 4,276) and $436.57 ($1,900,388.93 / 4,353) in the full (**M3**) and restricted (**M4**) sample models, respectively. This indicates that state UIP agencies' whose leaders are chosen by partisan governors exhibit tangible differences in AED priorities.

Summary of Sub-Mechanism Analyses

Besides the supplementary analyses conducted in **Appendices B** and **C** (see ***Appendix Document***) respectively seek to explore possible underlying sources between these partisan differences involving absolute and relative detection bias. One sub-mechanism explored is the extent that governors exert control over direct appointment authority. This issue is addressed in **Appendix B** by estimating statistical models that demarcate direct gubernatorial appointment authority between those instances when governors exert either effective or actual unilateral authority ('unconstrained' control) control over these appointments versus when they do not

[18] This is computed as the interquartile difference of the respective overpayment errors multiplied by the ***Republican Gubernatorial Direct Appointment*** and ***Democratic Gubernatorial Direct Appointment*** corresponding estimates.

('constrained' control).[19] The findings from this supplementary analysis indicate that governors with constrained direct appointment authority, thus requiring additional institutional approval over their state UIP agency heads choices, experience a higher within-state average claimant overpayment error detection marginal interquartile range effect that is $1.919 [$1.946] million higher than compared to non-direct gubernatorial appointment authority baseline in the full and restricted sample models. This represents a respective $475.09 and $477.90 average per case claimant overpayment error amount both detected and corrected in each of these models. The primary source of these direct gubernatorial appointment authority differences can be attributed to Republican constrained governors exhibiting the highest claimant overpayment error detection within-state amounts ($2.397 and $2.499 million higher than compared to non-direct gubernatorial appointment authority baseline) in the full and restricted sample models. This represents a $578.06 and $600.76 average per case claimant overpayment error amount that is both detected and corrected by state UIP agencies.

Another sub-mechanism centers on whether the effects observed in this study vary based on the prior occupational-related business experience of both governors and appointed state UIP

[19] ***Unconstrained Gov. Direct Appointment Authority*** represents either *actual* unilateral control by governors since there is no institutional check on these appointment choices, or *effective* unilateral control insofar that the institution(s) charged with checking the governor's appointment authority is controlled by the same party as the governor. ***Constrained Gov. Direct Appointment Authority*** represents a potent effective check on these gubernatorial appointment choices since it requires formal approval from government institution(s) that happens to be controlled by the opposition party to the governor. These data come from Carl Klarner. 2013, "State Partisan Balance Data, 1937 - 2011", https://doi.org/10.7910/DVN/LZHMG3, Harvard Dataverse, V1 (*Retrieval Date: November 4, 2022*), and also the National Conference of State Legislatures, " Legislative Partisan Composition Table, 2012- 2021," https://www.ncsl.org/research/about-state-legislatures/partisan-composition.aspx# (*Retrieval Date: November 4, 2022*).

agency heads. For instance, U.S. mayors with prior business backgrounds are less inclined towards redistributive policies, and that this effect is distinct from generic partisanship (Kirkland 2021). In **Appendix C,** this issue is considered by estimating models with interactions between the direct gubernatorial appointment authority indicator variables and separate binary indicators whether (1) the governor had prior business experience, or (2) the state UIP agency head had prior business experience[20]. Most of these estimates are numerically modest in relative terms. The lone exception is where Republican governors select state UIP agency heads with prior business experience. In both these full sample and restricted sample alternative models, state UIP agencies headed by an individual with prior business experience that is directly appointed by a Republican governor exhibits a marginal interquartile within-state average increase in overpayment claimant error detection that is $3.536 million (or $752.69 per case) and $3.507 million (or $741.77 per case) million higher than the non-direct gubernatorial appointment authority baseline in these full and restricted sample alternative models. Although a governor's prior business experiences do not conditionally impact the distribution of AED efforts favoring business interests at the expense of labor interests, clearly Republican governors exhibit a partisan effect manifested through their chosen agency heads with prior business experience. Finally, in **Appendix D** alternative model specifications are analyzed that omit year unit effects (i.e. only include state unit effects). In each instance, these alternative model specifications yield an inferior model fit to those models presented here with both state and year unit effects, while suggestive of model misspecification attributable to omitted variable bias based on Wald linear restriction tests.

[20] These binary indicators equal one if the governor [agency head] had prior business experience. Equal zero if they lacked such prior business experience. These data are compiled by the authors from online biographical sources and stored as PDF file copies.

Discussion

Government policymaking has distributional consequences that favor some groups at the expense of others (Laswell 1936). Recent research in American political economy has sought to identify the various mechanisms by which political-economic inequalities are manifested through governmental operations (e.g., Hacker 2004; Herd and Moynihan 2019; Vogel 2003). This study contributes to this nascent area of research by focusing on the role of the administrative state in shaping political-economic inequality in the United States. Focusing on administrative agencies is especially important given its centrality linking governance to policy outcomes.

This study analyzes political inequality biases resulting from the executive administration of unemployment insurance programs (UIPs) by U.S. state governments. Administrative error detection (AED) involves subterranean political processes; whereby, governance is linked to preferred policy outcomes that do not require explicit forms such as political bargaining or judicial review (Hacker 2004: 243). That is, the zero-sum adjustment of unemployment benefits for workers, and resulting contributions made by employers, reflects a covert set of administrative activities distributing government benefits and costs in a differential manner to labor versus business interests. Analyzing the allocation of AED (and recovery) efforts in UIPs since it is informative for understanding the policy targeting of privileged and marginalized interests by governments. The extent to which political inequality biases are reflected in government policies depends on the level of executive branch coordination towards pursuing partisan goals. These findings demonstrate that when governors appoint state UIP agency heads, systematic partisan differences arise in how these public bureaucracies engage in tasks to detect and correct administrative errors. Labor interests, in the form of unemployed workers, are targeted more under Republican governors than Democratic governors when each possess direct appointment authority. One manner to reduce political inequality biases is to remove governors' direct appointment powers, albeit this will come at the expense of reducing the benefits derived from

executive branch coordination.

The focus on administrative agencies task activities as a means of evaluating political-economic inequality is a ripe area for future investigation since these governmental actors are mainly responsible for shaping the contours of public policies formulated and adopted by political institutions. Because of this responsibility, government agencies play a central role in seeking to ensure a lack of bias when dealing with citizens and constituent groups (Brodkin 1987; Frederickson 1990; Galbreath and Rose 2008). By focusing on administrative bias resulting from the detection of overpayment errors, this study offers three novel contributions to research in the areas of American political economy, executive politics, and public administration.

Although the study of American political economy recognizes that policies can create winners and losers (Hacker and Pierson 2010), few studies evaluate outcomes of government processes for *both* privileged and marginalized interests. The exercise of government authority within a pluralist democracy cannot be properly ascertained by solely examining either the benefits accrued to the privileged or the costs borne by marginalized groups. Research on political inequality, therefore, needs to account for understanding how the distribution of government policymaking authority affects economically marginalized vis-a-vis powerful segments of society. This study addresses this dilemma through a comparison of how governments target and redistribute administrative errors via unemployment program benefits from claimants (labor) to employers (business).

This study also advances a critical insight regarding the distributional consequences of executive policymaking in democratic systems. Although executive branch coordination is normatively desirable for effective governance, it can nonetheless produce administrative outcomes that exacerbate political inequality biases. This is an insight that runs counter to conventional wisdom of the responsive competence thesis of executive administration that purports both the programmatic and efficiency benefits associated with coordinated executive

branch action among elected chief executives and executive agencies (e.g., Moe 1985). Such executive branch coordination between governors and state UIP agency heads reveals that administrative agencies' role of facilitating political inequality biases transcends acting in accordance with legal and rule-based general policies determined *ex ante* to the conduct of administrative activities affecting clientele groups (Herd and Moynihan 2019). Finally, the analysis of AEDs involves the discretionary exercise of bureaucratic effort to both actively identify and rectify bureaucratic decision errors that might vary across appointment authority regimes and partisan governors. This study's focus on the detection of overpayment errors affecting both labor and business alike sheds light on a simple, yet underappreciated fact — that the costs and benefits incurred by citizens and groups alike can involve extralegal factors relating to administrative priorities that are prescribed by neither law nor formal rules, but rather through the exercise of discretionary government authority.

References

Alexeev, Michael V., and Clifford G. Gaddy. 1993. "Income Distribution in the USSR in the 1980s." *Review of Income and Wealth* 39(1): 23-36.

Bartels, Larry M. 2016. *Unequal Democracy: The Political Economy of the New Gilded Age*, 2nd edition. New York: Russell Sage Foundation, and Princeton, NJ: Princeton University Press.

Bendor, Jonathan B. 1985. *Parallel Systems: Redundancy in Government*. Berkeley, CA: University of California Press.

Brodkin, Evelyn Z. 1987. "Policy Politics: If We Can't Govern, Can We Manage?" *Political Science Quarterly* 102(4): 571-587.

Campbell, Andrea. L. 2003. *How Policies Make Citizens: Senior Political Activism and the American Welfare State*. Princeton University Press.

Carnes, Nicholas. 2013. *White-Collar Government: The Hidden Role of Class in Economic Policy Making.* University of Chicago Press.

Carpenter, Daniel. 2020. "On Categories and the Countability of Things Bureaucratic: Turning from Wilson (Back) to Interpretation." *Perspectives on Public Management and Governance* 3(2): 83-93.

Caughey, Devin, and Christopher Warshaw. 2016. "The Dynamics of State Policy Liberalism, 1936–2014." *American Journal of Political Science* 60(4): 899-913.

Compton, Mallory E., Mathew M. Young, Justin B. Bullock, and Robert Greer. 2023. "Administrative Errors and Race: Can Technology Mitigate Inequitable Administrative Outcomes?" *Journal of Public Administration Research and Theory* 33(3): 512-528.

Dahlström, Carl, Mihály Fazekas, and David E. Lewis. 2021. "Partisan Procurement: Contracting With the United States Federal Government, 2003–2015." *American Journal of Political Science* 65(3): 652-669.

Diwakar, Rekha. 2017. "An Evaluation of Normal Versus Lognormal Distribution in Data Description and Empirical Analysis." *Practical Assessment, Research, and Evaluation* 22 (1): Article 13.

Errunza, Vihang R., and Etienne Losq. 1985. "The Behavior of Stock Prices on LDC Markets." *Journal of Banking & Finance* 9(4): 561-575.

Franko, William W., and Christopher Witko. 2018. *The New Economic Populism: How States Respond to Economic Inequality*. Oxford University Press.

Frederickson, George H. 1990. "Public Administration and Social Equity." *Public Administration Review* 51(2): 228-237.

Friedman, Gillian. 2020. "Jobless Benefits Saved Them, Until States Wanted the Money Back." *The New York Times*. https://www.nytimes.com/2020/12/11/business/economy/unemployment-benefit-payback.html [Accessed: April 15, 2024].

Galbreath, David J., and Richard Rose. 2008. "Fair Treatment in a Divided Society: A Bottom-Up Assessment of Bureaucratic Encounters in Latvia." *Governance* 21(1): 53-73.

Galvin, Daniel J. 2016. "Deterring Wage Theft: Alt-Labor, State Politics, and the Policy Determinants of Minimum Wage Compliance." *Perspectives on Politics* 14(2): 324-350.

Greer, Robert A., and Justin B. Bullock. 2018. "Decreasing Improper Payments in a Complex Federal Program." *Public Administration Review* 78(1): 14-23.

Hacker, Jacob S. 2004. "Privatizing Risk Without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States." *American Political Science Review* 98(2): 243-260.

Hacker, Jacob. S. 2005. "Policy Drift: The Hidden Politics of Social Policy Reform." In *Beyond Continuity: Institutional Change in Advanced Political Economies*, ed, Wolfgang, Streeck and Thelen, Kathleen. Oxford University Press, 59–82.

Hacker, Jacob. S., and Paul Pierson. 2010. *Winner-Take-All Politics: How Washington Made the Rich Richer--and Turned Its Back on the Middle Class*. Simon and Schuster.

Herd, Pamela, and Donald P. Moynihan. 2019. *Administrative Burden: Policymaking by Other Means*. Russell Sage Foundation.

Hertel-Fernandez, Alexander. 2019. *State Capture: How Conservative Activists, Big Businesses, and Wealthy Donors Reshaped the American States--and the Nation*. Oxford University Press.

Keller, A. Z., A. R. R. Kamath, and U. D. Perera. 1982. "Reliability Analysis of CNC Machine Tools." *Reliability Engineering* 3(6): 449-473.

Kelly, Nathan J., and Christopher Witko. 2012. "Federalism and American Inequality." *Journal of Politics* 74(March): 414-426.

Kirkland, Patricia. 2021. "Business Owners and Executives as Politicians: The Effect on Public Policy." *Journal of Politics* 83(4): 1652-1668.

Kovalski, Manuel Alcalá, and Sheiner, Louise. 2020. "How Does Unemployment Insurance Work? And How Is It Changing During the Coronavirus Pandemic?". *Brookings Institution*. https://www.brookings.edu/blog/up-front/2020/07/20/how-does-unemployment-insurance-work-and-how-is-it-changing-during-the-coronavirus-pandemic/. *[Accessed: April 2, 2023]*.

Kriner, Douglas L., and Andrew C. Reeves. 2015. *The Particularistic President: Executive Branch Politics and Political Inequality*. New York, NY: Cambridge University Press.

Laswell, Harold. 1936. *Politics: Who Gets What, When and How*. New York: McGraw Hill.

LeBlanc, Beth. 2023. "Audit: Unemployment Agency's Lax Fraud Policies During Pandemic Led to Billions in Overpayments." *Detroit News*. https://www.detroitnews.com/story/news/local/michigan/2023/01/06/michigan-unemployment-insurance-agency-not-effective-state-audit-fraud-covid-pandemic-jobless-aid/69783165007/. *[Accessed: April 2, 2023]*.

Lee, Sabinne. 2021. "Impact of Administrative Burden on Inappropriate Payment Error: a Blessing or a Curse?" *International Review of Public Administration* 26(1): 18-40.

Louisiana Workforce Commission. 2016. "State of Louisiana Financial Audit Services Management Letter." https://app.lla.state.la.us/PublicReports.nsf/0/75F71BBD2CDA081686258089006513D9/$FILE/00011DB2.pdf. *[Accessed: April 4, 2023]*.

Mahr, Joe, and Dan Petrella. 2022. "Illinois Paid Out Nearly $2 Billion in Federal Funds for Fraudulent Pandemic Unemployment Claims, Audit Finds." Illinois Tribune. https://www.chicagotribune.com/politics/ct-pandemic-unemployment-fraud-audit-20220616-jxw5fgmofzb7vpwjybyl72khjy-story.html. *[Accessed May 6, 2023]*.

Moe, Terry M. 1985. "The Politicized Presidency." *New Directions in American Politics*. John E. Chubb and Paul E. Peterson, editors. pp. 235-271. Washington, D.C.: Brookings Institution Press.

Overpayment Detection and Recovery Activities. 2022. 87 FR 80196. https://www.federalregister.gov/documents/2022/12/29/2022-28345/agency-information-collection-activities-comment-request-overpayment-detection-and-recovery. *[Accessed: April 4, 2023]*.

Park, Jungyeon. 2022. *Understanding Negative Performance Management in U.S. Federal Agencies*. Ph.D. Dissertation. University of Georgia. https://esploro.libs.uga.edu/esploro/outputs/9949467728802959. *[Accessed: April 2, 2024]*.

Pierson, Paul. 1994. *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*. Cambridge University Press.

Roberts, Adrienne. 2020. "Report: Michigan Unemployment Agency's Relaxed Policies Left State Vulnerable to Fraud." *Detroit Free Press*. https://www.freep.com/story/news/local/michigan/2020/11/25/covid-19-relaxed-unemployment-policies-fraudulent-claims/6425365002/. *[Accessed: May 6, 2023]*.

Schneider, Ann. L., and Helen M. Ingram. 2019. "Social Constructions, Anticipatory Feedback Strategies, and Deceptive Public Policy." *Policy Studies Journal* 47(2): 206-236.

Schreiner, Bruce. 2021. "Kentucky Governor Files Paperwork for Reelection Run in 2023." *AP News*. https://apnews.com/article/coronavirus-pandemic-business-health-kentucky-4cb75b7425c4f90c44019a88d7a9a74c. *[Accessed May 6, 2023]*.

Simon, Herbert A. 1947. *Administrative Behavior*. New York: Macmillan.

Skocpol, Theda. 2000. *The Missing Middle: Working Families and the Future of American Social Policy*. WW Norton & Company.

Soss, Joe, Richard C. Fording, and Sanford F. Schram. 2011. Disciplining the Poor: Neoliberal Paternalism and the Persistent Power of Race. Chicago, IL: University of Chicago Press.

Stone, Chad, and William Chen. 2014. *Introduction to Unemployment Insurance*. Center on Budget and Policy Priorities. https://www.cbpp.org/research/introduction-to-unemployment-insurance. [*Accessed: September 14, 2023*].

Turner, Ian. R. 2017. "Working Smart and Hard? Agency Effort, Judicial Review, and Policy Precision." *Journal of Theoretical Politics* 29(1): 69-96.

U.S. Department of Labor ETA. **nd.** "State Unemployment Insurance Benefits". https://oui.doleta.gov/unemploy/uifactsheet.asp. *[Accessed: April 3, 2023]*.

U.S. Department of Labor ETA. 1990. "Attachment A to Unemployment Insurance Program Letter No. 33-99". https://oui.doleta.gov/dmstree/uipl/uipl99/3399att/3399attacha.html [*Accessed April 3, 2023].*

U.S. Department of Labor ETA. 2011. "UI Program Letter No. 02-12." https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2011/uipl_2_12.pdf *[Accessed: March 13, 2024].*

U.S. Department of Labor ETA. 2014. "IPIA Benefit Accuracy Measurement Annual Report." https://oui.doleta.gov/unemploy/bam/2014/IPIA_2014_Benefit_Accuracy_Measurement_Annual_Report.pdf *[Accessed: May 4, 2024].*

U.S. Department of Labor ETA. 2017. "Unemployment Insurance 401 Handbook (5th Edition)." https://wdr.doleta.gov/directives/attach/ETAH/ETHand401_5th.pdf. *[Accessed: April 3, 2023].*

U.S. Department of Labor ETA. 2019. "IPIA 2019 Benefit Accuracy Measurement Annual Report". https://oui.doleta.gov/unemploy/bam/2019/IPIA_2019_Benefit_Accuracy_Measurement_Annual_Report.pdf. *[Accessed: April 3, 2023]*

U.S Department of Labor ETA. 2020. “Unemployment Insurance Directors’ Guide.” https://oui.doleta.gov/unemploy/docs/ui_directors_Mar2020.pdf *[Accessed: May 8 2024].*

Venkataramanan, Meena. 2020. “Texas to Reinstate Work-Search Requirement for Unemployment Benefits.” *Texas Tribune*. https://www.texastribune.org/2020/06/16/texas-unemployment-benefits-work-search-requirement/ *[Accessed: May 6, 2023].*

Vogel, David. 2003. *Fluctuating Fortunes: The Political Power of Business in America*. Beard Books.

Yackee, Jason Webb, and Susan Webb Yackee. 2006. "A Bias towards Business? Assessing Interest Group Influence on the US Bureaucracy." *Journal of Politics* 68(1): 128-139.

ONLINE APPENDIX

Political-Economic Inequality Bias via Administrative Error Detection:

Bureaucratic Targeting in the Administration of Unemployment Insurance Programs in the American States

---

1. ***APPENDIX A***: Listing of State UIP Agency Head Appointment Authorities; Descriptive Statistics; and Detailed Description of Dependent Variables: Measures, Data Construction, and Legal Bases

2. ***APPENDIX B***: Sub-Mechanism, I: Distinguishing Among 'Unconstrained' Governors versus 'Constrained' Governors [i.e., Lack Unilateral Control: Actual or Effective]

3. ***APPENDIX C:*** Sub-Mechanism, II: Differential Gubernatorial Partisan Appointment Authority Effects Based On (1) Governors' Prior Business Experience, (2) State UI Agency Head's Prior Experience, and (3) Neither (1) or (2) [Baseline Effects]

4. ***APPENDIX D:*** Comparison of Reported Unrestricted Model Specifications with Both State and Year Unit Effects Versus Alternative Restricted Model Specifications Omitting Year Unit Effects

APPENDIX A

TABLE A1

Listing of State UIP Agency Head Appointment Authorities

Note: *The list only shows the first year & years with change for each state*

year	state	UIP Agency Name	Appointment Method	Appointment Method (**Appointed By** [Approval])
2002	Alabama	Department of Industrial Relations	CS	**Civil Service**
2013	Alabama	Department of Labor	G	**Governor**
2002	Alaska	Division of Employment Security	AG	**Agency Head** [Governor]
2002	Arizona	Employment and Rehabilitation Services Division	A	**Agency Head**
2002	Arkansas	Arkansas Employment Security Department	G	**Governor**
2002	California	California Employment Development Department	GS	**Governor** [Senate]
2002	Colorado	Colorado Department of Labor and Employment	GS	**Governor** [Senate]
2002	Connecticut	Labor Department	GE	**Governor** [General Assembly]
2002	Delaware	Department of Labor	GS	**Governor** [Senate]
2002	Florida	Agency for Workforce Innovation	G	**Governor**
2012	Florida	Florida Department of Economic Opportunity	GS	**Governor** [Senate]
2002	Georgia	Georgia Department of Labor	CE	**Constitutional: Elected by Public**
2002	Hawaii	Department of Labor and Industrial Relations	GS	**Governor** [Senate]
2002	Idaho	Department of Labor	GS	**Governor** [Senate]
2002	Illinois	Illinois Department of Employment Security	GS	**Governor** [Senate]
2002	Indiana	Indiana Department of Workforce Development	G	**Governor**
2002	Iowa	Iowa Workforce Development	GS	**Governor** [Senate]
2002	Kansas	Department of Human Resources	GS	**Governor** [Senate]
2002	Kentucky	Department for Employment Services, Cabinet for Workforce Development	AG	**Agency Head** [Governor]
2002	Louisiana	Office of Workforce Development	A	**Agency Head**
2010	Louisiana	Louisiana Workforce Commission	GS	**Governor** [Senate]
2002	Maine	Maine Department of Labor	GLS	**Governor** [Legislature's Joint Committee on Labor, Commerce, Research and Economic Development (LCRED) & state Senate]
2002	Maryland	Department of Labor, Licensing & Regulation	GS	**Governor** [Senate]
2002	Massachusetts	Division of Employment & Training	CG	**Cabinet Secretary** [Governor]

2004	Massachusetts	Massachusetts Department of Labor and Workforce Development	G	**Governor**
2002	Michigan	Employment Security Commission	GS	**Governor** [Senate]
2011	Michigan	Department of Licensing and Regulatory Affairs	CS	**Civil Service**
2012	Michigan	Department of Licensing and Regulatory Affairs	GS	**Governor** [Senate]
2015	Michigan	Michigan Talent Investment Agency	CS	**Civil Service**
2020	Michigan	Michigan Department of Labor and Economic Opportunity	GS	**Governor** [Senate]
2002	Minnesota	Minnesota Department of Economic Security	GS	**Governor** [Senate]
2002	Mississippi	Employment Security Commission	BS	**Board/Commission** [Senate]
2004	Mississippi	Mississippi Department of Employment Security (Office of Unemployment Insurance)	GS	**Governor** [Senate]
2002	Missouri	Missouri Department of Labor and Industrial Relations	GS	**Governor** [Senate]
2002	Montana	Montana Department of Labor and Industry	G	**Governor**
2004	Montana	Montana Department of Labor and Industry	GS	**Governor** [Senate]
2002	Nebraska	Nebraska Department of Labor	GS	**Governor** [Senate]
2002	Nevada	Department of Employment Training and Rehabilitation, Employment Security Division	G	**Governor**
2002	New Hampshire	Department of Employment Security	GC	**Governor [**Council]
2002	New Jersey	New Jersey Department of Labor	GS	**Governor** [Senate]
2002	New Mexico	New Mexico Department of Labor, UI Bureau	GS	**Governor** [Senate]
2002	New York	New York Department of Labor, Employment Security Division	GS	**Governor** [Senate]
2002	North Carolina	Employment Security Commission	G	**Governor**
2002	North Dakota	North Dakota Job Service	G	**Governor**
2002	Ohio	Ohio Department of Job and Family Services, Office of Unemployment Insurance Operations	GS	**Governor** [Senate]
2002	Oklahoma	Oklahoma Employment Security Commission	B	**Board/Commission**
2002	Oregon	Oregon Employment Department	GS	**Governor** [Senate]
2002	Pennsylvania	Department of Labor and Industry	GS	**Governor** [Senate]
2002	Rhode Island	Rhode Island Department of Labor and Training	G	**Governor**
2009	Rhode Island	Rhode Island Department of Labor and Training	GS	**Governor** [Senate]
2002	South Carolina	South Carolina Employment Security Commission	B	**Board/Commission**
2020	South Carolina	South Carolina Department of Employment and Workforce	GS	**Governor [**Senate]
2002	South Dakota	South Dakota Department of Labor	GS	**Governor** [Senate]

2002	Tennessee	Tennessee Department of Labor and Workforce	G	**Governor**
2002	Texas	Texas Workforce Commission	B	**Board/Commission**
2002	Utah	Utah Dept. of Workforce Services	GS	**Governor** [Senate]
2002	Vermont	Vermont Department of Labor	G	**Governor**
2007	Vermont	Vermont Department of Labor	GS	**Governor** [Senate]
2002	Virginia	Virginia Employment Commission	GB	**Governor** [Both Legislative Chambers]
2002	Washington	Employment Security Department	GS	**Governor** [Senate]
2002	West Virginia	Bureau of Employment Programs	GS	**Governor** [Senate]
2002	Wisconsin	Department of Workforce Development	GS	**Governor** [Senate]
2002	Wyoming	Department of Employment	GS	**Governor** [Senate]

The raw data of the state agency head's appointment mechanism was obtained from the *Book of the States* between 2002-2021. The data denotes appointment mechanism in thirteen different letter codes by combinations of appointing authority and approval authority for state agency head in each state and year (see Data Codebook page 3 for greater detail on these letter codes).

These letter codes were then converted into a binary indicator of (1) non-direct and direct appointment authority. Next, the second category was further refined based on partisan distinctions into (2) non-direct/Republican governor direct/Democratic governor direct, following the rule below.

1. **Non-Direct Gubernatorial Appointment Authority (0):** Lacking Gubernatorial Appointment Authority (A, B, BS, CE, CS, AG, CG). This category also includes lack of approval (AG and CG) as well as non-partisan, independent governors.

2. **Republican Gubernatorial Direct Appointment Authority:** Republican governor has a certain appointment authority either without approval institution (G), or constrained by an approval institution such as legislature (GE, GLS, GS), board (GB), or council (GC).

3. **Democratic Gubernatorial Direct Appointment Authority:** Democratic governor has a certain appointment authority either without approval institution (G), or constrained by an approval institution such as legislature (GE, GLS, GS), board (GB), or council (GC).

Table A2: Descriptive Statistics for Variable Analyzed in Manuscript

Variable	Mean	SD	Between SD / Within SD	Min	Max	Source
Overpayment Detection for Claimants	12,000,000	28,600,000	19,000,000/ 21,500,000	43,973.570	474,000,000	U.S. Department of Labor "ETA-227. Overpayment Detection and Recovery Activities Report"
UI AGENCY HEAD APPOINTMENT AUTHORITY COVARIATES						
Gubernatorial Direct Appointment (Binary)	0.828	0.378	0.348/0.154	0.000	1.000	The Book of the States. 2002-2021.
Gubernatorial Direct Appointment (Partisan Distinctions)[1]	1.230	0.722	0.593/0.420	0.000	2.000	The Book of the States. 2002-2021.
CONTROL COVARIATES						
Election Year	0.264	0.441	0.053/0.438	0.000	1.000	The Book of the States. 2002-2021.
Economic Policy Liberalism	-0.025	1.239	1.221/0.267	-2.471	3.325	Warshaw, Christopher, and Devin Caughey. "Mass Ideology and Policy Liberalism of American States from 1936-2020," http://www.chriswarshaw.com/data.php
Public Sector Unionization	36.579	17.665	17.427/3.759	4.300	76.200	Hirsch, B.T. and Macpherson, D.A. "Union Membership and Coverage Database," https://unionstats.com/
Unemployment Rate	5.671	2.037	1.065/1.742	2.108	13.783	U.S. Bureau of Labor Statistics. "Local Area Unemployment Statistics. 2002-2021."
Ln. Agency Budget Size	17.471	0.940	0.934/0.164	15.430	20.326	U.S. Department of Labor. "Resource Justification Model," https://oui.doleta.gov/rjm/
Ln. Total Paid Claims	14.135	1.176	1.105/0.429	10.718	17.876	U.S. Department of Labor. "Regular Benefits Information by State."
Ln. BAM Sample Estimate of Total Claimant Error	17.528	1.422	1.272/0.658	13.493	22.202	U.S. Department of Labor. "Benefit Accuracy Measurement Survey. 2002-2021." Publicly Available Upon Request.

[1] Three-group categorical variable, indicating "*1*" if Republican governors appoint state UI agency heads and "*2*" if Democratic governors appoint state agency heads. The baseline category is "*0*" where governors do not have direct appointment authority. See **Figure 1** in the manuscript for a detailed overview of the distribution of appointment authority of each category.

Detailed Description of Dependent Variables: Measures, Data Construction, and Legal Bases

A. Measures and Data Construction

Overpayment Detection for Claimants (Annual sum of Columns **c19** and **c20** from ETA-227 Overpayment Detection and Recover Activities quarterly reports): The first dependent variable, *Overpayment Detection for Claimants* is measured as the annual sum of claimant-responsible non-fraud overpayments that are detected by state agency (see Column **c19**, Regular UI – State UI – Nonfraud – Claimant Errors Dollar Amount and **c20**, Regular UI – UCFE/UCFX – Nonfraud – Claimant Errors Dollar Amount[2]) of the U.S. Department of Labor ETA-227 Overpayment Detection and Recover Activities – Regular Program (https://oui.doleta.gov/unemploy/DataDownloads.asp), then subsequently adjusted to 2010 constant-dollars by the authors.

The overpayment detection for claimants measure only includes the state detection efforts targeting nonfraud overpayments caused by claimants, thus excluding detection efforts for fraudulent overpayments (which is separately reported in Column **c3** in the same dataset). By legal definition, fraud is attributable only to claimants, as defined by "*willful misrepresentation by the claimant."* (U.S. Department of Labor 2017: IV-2-163). We therefore restrict our focus to non-fraud claimant overpayment error detection efforts. First, fraud-based error detection constitutes a different administrative problem and related processes from the one characterized in this study. Unlike non-fraud overpayment errors which are determined at the initiation of state UI agencies using their administrative discretion, fraudulent activities are typically initiated by actors external to the state UI agency, such as local law enforcement agencies or private actor complaints regarding

[2] The regular State UI, Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Servicemembers (UCX) are the "*three major Unemployment Insurance (UI) programs (U.S. Department of Labor 2021: 1*)" that are federally monitored through the Benefit Accuracy Measurement reporting system.

identity theft (U.S. Department of Labor Office of Inspector General 2015: 4). This process stands in direct contrast to state UI agencies using their own means to detect nonfraud overpayment errors. In this way, our measurement scheme reflects agency targeting behavior, and not conflated from targeting by external sources. Second, we omit the state agency efforts to detect overpayment errors that are not attributable to claimants, specifically those involving employers and state agencies, for the purposes of our study. Detection of employer overpayment errors not only involves a distinct operating procedure but also does not necessarily incur benefits for businesses. There is no direct relief from excess financial costs or burdens for these actual detected transactions, because federal law prevents 'an employer's account from being relieved of charges if the actions of the employer led to an improper payment' (U.S. Department of Labor Office of Inspector General 2013: 14). Costs to claimants derived from AEDs also vary by state in such cases where the overpayment error is attributable to a third party (i.e., employers and state agencies; cf. cf. See U.S. Department of Labor (2021) Table 6-2. Recovery of Nonfraud Overpayments for greater details on each state provision). Therefore, including these two other types of overpayment error detections would conflate the actual costs to claimants and the resulting benefits to businesses from state AED efforts.

For consistency purposes, this claimant overpayment detection error variable excludes detection of overpayments in special unemployment compensation programs outside of regular UI programs, namely the Extended Benefits (EB) programs that extend benefits to workers who have exhausted regular UI benefits in times of high unemployment (For details, see https://oui.doleta.gov/unemploy/extenben.asp). Unlike the three regular UI programs (i.e., state UI, UCFX, and UCFE), the EB program is temporary by nature, and its financing structure, involving both federal and state funding, has been inconsistent across states over the sample period (Stone and Chen, 2014). Additionally, the scope of analysis is aligned with other federally mandated

performance management systems, such as the Benefit Accuracy Measurement (BAM) survey (U.S. Department of Labor, 2021:1).

B. Overpayment Detection for Claimants Overpayment Detection:

Substantive Consequences and Their Legal Bases

According to the Federal Unemployment Tax Act Section 3309(a)(2), employers can only be reimbursed for claimant overpayment errors, thus creating a zero-sum transaction between unemployed workers and employers. When a state UIP agency detects an overpayment of UI benefits and determines that it is attributable to the claimant themselves, it must be repaid to the agency (Trade Adjustment Assistance Extension Act of 2011: 383). Subsequently, the benefit charges for the overpaid amount are removed from the employer's unemployment account, which had originally made an overcontribution to the UI fund due to this claimant error (U.S. Department of Labor 2011: 3; cf. See Federal Unemployment Tax Act Section 3303(a)(1) for the original provision). Due to this federal regulation, when state UIP agencies detect and recoup claimant overpayment errors (i.e., ***Overpayment Detection for Claimants***), it ultimately results in costs to claimants (unemployed program beneficiaries). A 'claimant overpayment error' is defined as overpayment from employers to claimants resulting from claimants' errors (claimants receiving excessive benefits than they are legally entitled to) (U.S. Department of Labor 2017: IV-2-162). Consequently, when UIP agencies detect and recoup claimant overpayment errors, the financial burden falls on the claimant, unless the claimant requests a waiver under limited circumstances, such as proving a good conscience and/or financial hardship (U.S. Department of Labor 2023: 6-1).

References

Stone, Chad, and William Chen. 2014. *Introduction to Unemployment Insurance*. Center on Budget and Policy Priorities. https://www.cbpp.org/research/introduction-to-unemployment-insurance. [Accessed: September 14, 2023].

U.S. Department of Labor. 2011. UI Program Letter No. 02-12. https://www.dol.gov/sites/dolgov/files/ETA/advisories/UIPL/2011/uipl_2_12.pdf [Accessed: March 13, 2024].

U.S. Department of Labor. 2017. ETA 401 Handbook (5th Edition). https://www.dol.gov/sites/dolgov/files/ETA/handbooks/2017/ETHand401_5th.pdf [Accessed: March 13, 2024].

U.S. Department of Labor. 2021. *Comparison of State Unemployment Laws 2021*. https://oui.doleta.gov/unemploy/pdf/uilawcompar/2021/complete.pdf [Accessed: May 4, 2024].

U.S. Department of Labor ETA. 2022. ETA-227 Overpayment Detection and Recover Activities – Regular Program, 2002-2021 [Dataset]. https://oui.doleta.gov/unemploy/DataDownloads.asp [Accessed: September 26, 2022].

U.S. Department of Labor. 2023. Comparison of State Unemployment Laws 2023. https://oui.doleta.gov/unemploy/comparison/2020-2029/comparison2023.asp [Accessed: March 13, 2024].

U.S. Department of Labor Office of Inspector General. 2013. Georgia Department of Labor Missed Opportunities to Detect and Recover Unemployment Insurance Overpayments. https://www.oig.dol.gov/public/reports/oa/2013/04-13-001-03-315.pdf [Accessed March 12, 2024].

U.S. Department of Labor Office of Inspector General. 2015. Investigative Advisory Report: Weaknesses Contributing to Fraud in the United States Unemployment Insurance Program. https://www.oig.dol.gov/public/Press%20Releases/UI%20Program%20Letter%2050-15-001-03-315.pdf [Accessed April 12, 2024].

APPENDIX B

Sub-Mechanism, I: Distinguishing Among 'Unconstrained' Governors versus 'Constrained' Governors [i.e., Lack Unilateral Control: Actual or Effective]

Additional analyses is conducted that delves into the extent that the gubernatorial direct appointment effects observed in the manuscript are related to '*constrained*' governors that lack effective unilateral control over state UI agency head appointments (requires approval/ confirmation from another government institution, as well as divided partisan control between the governor and approval/confirmation institution); or '*unconstrained*' governors enjoy effective unilateral control (lacking an approval/confirmation institution or experiences unified partisan control between these appointment institutions). The findings appearing in both **Table B1** and **Figure B1** reveal that constrained governors with direct appointment authority target claimant overpayment errors more relative to unconstrained governors. Please note that these estimates are less precise compared to the reported model estimates since the former are comprised of a smaller subset of cases since direct gubernatorial appointment authority is further divided between constrained and unconstrained governors. **Figure B1** displays that this non-partisan direct gubernatorial appointment authority within-state average estimate is $1.919 million ($475.09 per case) in the full sample's **Model BM1**, while being slightly higher in the restricted sample (**Model BM2**): $1.946 million within-state average ($477.90 per case) compared to the non-direct gubernatorial appointment baseline for this set of agencies.

The primary source of this difference involving claimant overpayment detection between constrained and unconstrained governors is mostly attributed to Republican governors. In the full sample model (**Model BM3**), **Figure B1** reveals that Republican governors with constrained direct appointment authority have $2.397 million higher within-state average compared to the non-direct

gubernatorial appointment authority baseline ($578.06 per case).[3] This suggests that Republican governors are more effective at obtaining partisan policy goals by targeting unemployed workers to the redound of employers when their appointment authority is checked by another institution. In turn, this suggests that lacking complete unilateral control over appointment authority provides state UIP agencies with greater political cover (i.e. legitimacy) for engaging in partisan targeting efforts through AED activities that benefit business interests at the expense of labor.

TABLE B1

Alternative Measures of Gubernatorial Partisan Appointment Authority Encompassing Only Unilateral (Actual and Effective) Gubernatorial Control Over the Appointment Process: Unemployment Insurance Programs in the American States, 2002-2021

Variable	(*Full Sample*) (BM1)	(Restricted Sample) (BM2)	(Full Sample) (BM3)	(Restricted Sample (BM4)
Constrained Gubernatorial Direct Appointment	**0.526*** (0.123)**	**0.540*** (0.122)**	_____	_____
Unconstrained Gubernatorial Direct Appointment	**−0.374** (0.178)**	**−0.360* (0.184)**	_____	_____
Republican Constrained Gubernatorial Direct Appointment	_____	_____	**1.115*** (0.261)**	**1.129*** (0.262)**
Republican Unconstrained Gubernatorial Direct Appointment	_____	_____	**−0.140 (0.241)**	**−0.127 (0.246)**
Democratic Constrained Gubernatorial Direct Appointment	_____	_____	**0.222 (0.183)**	**0.234 (0.181)**
Democratic Unconstrained Gubernatorial Direct Appointment	_____	_____	**−0.042 (0.264)**	**−0.028 (0.268)**
Election Year	0.283*** (0.059)	0.283*** (0.059)	0.376*** (0.094)	0.377*** (0.095)
Economic Policy Liberalism	1.149*** (0.174)	1.152*** (0.173)	0.961*** (0.172)	0.964*** (0.172)
Public Sector Unionization	0.018 (0.025)	0.018 (0.025)	0.018 (0.022)	0.018 (0.022)
Unemployment Rate	−0.228***	−0.229***	−0.177***	−0.178***

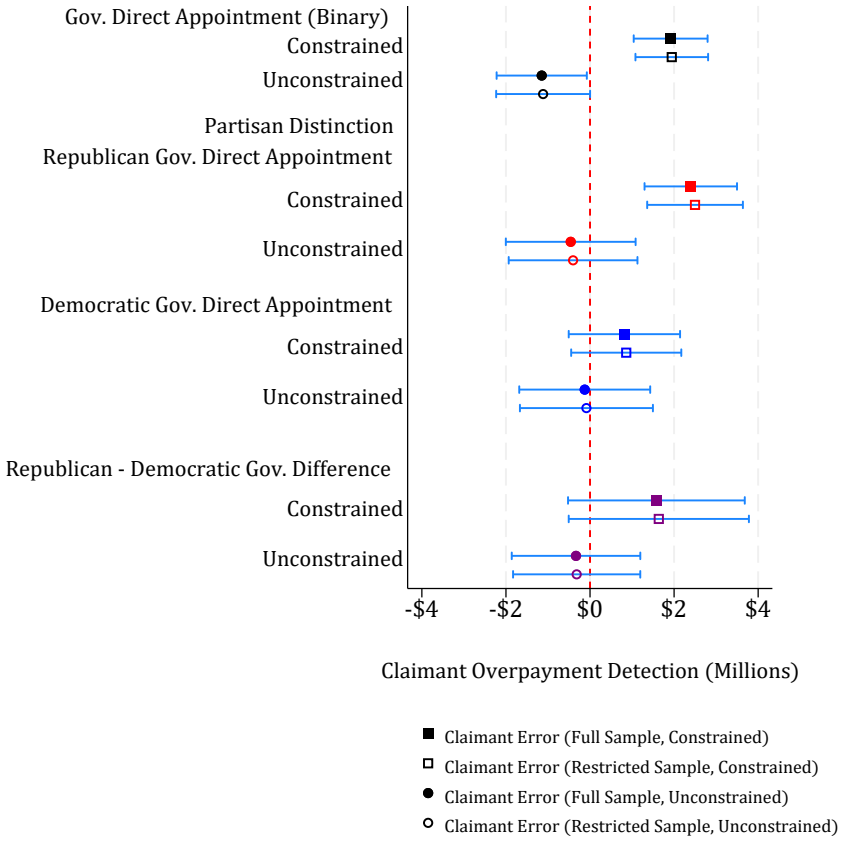
[3] This result is corroborated in the restricted sample (**Model BM4**) in **Figure B1**, with a $2.499 million within-state average higher relative to the non-direct gubernatorial appointment baseline ($600.76 per case).

	(0.049)	(0.049)	(0.051)	(0.051)
ln (Agency Budget Size)	1.437***	1.439***	1.086***	1.087***
	(0.272)	(0.271)	(0.396)	(0.397)
ln (Total Paid Claims)	−0.368	−0.371	−0.142	−0.144
	(0.399)	(0.399)	(0.401)	(0.402)
ln (BAM Sample Estimate of Total Claimant Error)	0.202	0.204	0.146	0.148
	(0.126)	(0.125)	(0.106)	(0.107)
Constant	−6.461	−6.498	−3.339	−3.363
	(5.033)	(5.024)	(5.135)	(5.135)
Year Fixed Effects	**YES**	**YES**	**YES**	**YES**
State Fixed Effects	**YES**	**YES**	**YES**	**YES**
Log−Likelihood	−17,501.65	−16,699.91	−17,468.02	−16,667.79
AIC	35,059.30	33,455.82	34,996.03	33,395.58
BIC	35,196.69	33,591.86	35,143.23	33,541.34
Number of Observations	999	952	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses.
* p ≤ 0.10 ** p ≤ 0.05 *** p ≤ 0.010.

Figure B1 Appointment Authority Effects on Claimant Overpayment Error Detection

(Unemployment Insurance Agency Heads in the American States, 2002-2021)



APPENDIX C

Sub—Mechanism, II: Differential Gubernatorial Partisan Appointment Authority Effects Based On (1) Governors' Prior Business Experience, (2) State UI Agency Head's Prior Experience, and (3) Neither (1) or (2) [Baseline Effects]

Another mechanism explored to further shed light on the gubernatorial direct appointment authority effects focuses on whether governors or state UI agency heads have prior business experience in their professional career background. One might expect that those with a professional background in business, both governors and agency heads will prefer to target claimant overpayment errors more vigorously than those individuals serving in these positions lacking prior business occupational experience. This is because AED efforts which net larger sums of claimant overpayment errors will impose benefit business/employers at the expense of labor/unemployed workers. To empirically investigate this issue, a pair of binary indicators are operationalized that reflect whether governors and state UIP agency heads had prior business occupational experience prior to their respective election and appointment. The estimates from this analysis appear in **Table C1** and **Figures C1** and **C2**.

These estimates are not only modest, but also exhibit substantially less precision compared to the reported direct gubernatorial appointment authority estimates of primary interest, as well as those based on analyzing distinctions between 'constrained' and unconstrained' direct gubernatorial appointment authority covered in **Appendix B**. The sole exception where an estimate both substantively and significantly departs from the non-direct appointment authority baseline occurs when Republican governors have direct appointment authority over state UIP agency heads who happen to have a prior business professional experience. For both models **CM1** & **CM2** in **Table C1 (Top panel, bottom estimate in Figures C1** and **C2**), state UIP agencies headed by an individual with prior business experience that is directly appointed by a Republican governor exhibits a marginal interquartile within-state average increase in overpayment claimant error detection that

is $3.536 million (or $752.69 per case) and $3.507 million (or $741.77 per case) million higher than the non-direct gubernatorial appointment authority baseline. Business interests are only notably advantaged by executive branch coordination when a Republican governor with direct appointment authority over a state UIP agency head chooses one with a prior business occupational experience.

TABLE C1

Conditional Appointment Authority Models of Overpayment Errors by Business Experience of Governors and Agency Heads: Unemployment Insurance Programs in the American States (2002–2021)

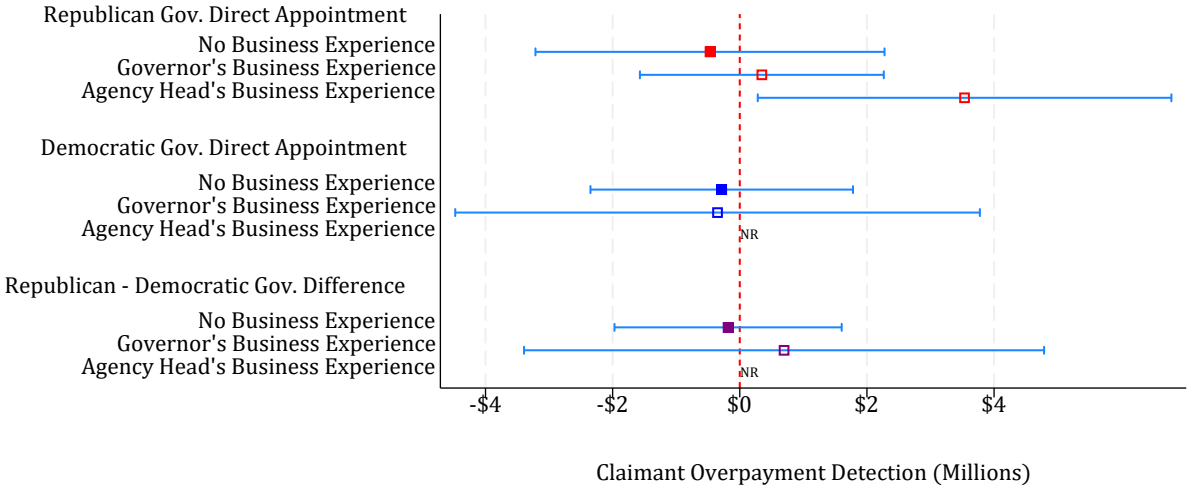
Variable	(Full Sample) (CM1)	(*Restricted Sample*) (CM2)
Republican Gubernatorial Direct Appointment	**−0.114**	**−0.090**
	(0.340)	**(0.363)**
Democratic Gubernatorial Direct Appointment	**−0.099**	**−0.075**
	(0.366)	**(0.391)**
Republican Gubernatorial Direct Appointment × Governor Business Experience	**0.158**	**0.138**
	(0.446)	**(0.465)**
Democratic Gubernatorial Direct Appointment × Governor Business Experience	**−0.126**	**−0.145**
	(0.758)	**(0.781)**
Republican Gubernatorial Direct Appointment × Agency Head Business Experience	**1.452****	**1.440****
	(0.682)	**(0.694)**
Democratic Gubernatorial Direct Appointment × Agency Head Business Experience	**0.336**	**0.323**
	(0.755)	**(0.767)**
Governor Business Experience	−0.315	−0.296
	(0.332)	(0.364)
Agency Head Business Experience	−0.632	−0.619
	(0.630)	(0.643)
Election Year	0.386***	0.386***
	(0.071)	(0.072)
Economic Policy Liberalism	0.906***	0.908***
	(0.279)	(0.279)
Public Sector Unionization	0.016	0.016
	(0.023)	(0.023)
Unemployment Rate	−0.160***	−0.161***
	(0.026)	(0.026)
ln (Agency Budget Size)	1.055**	1.056**

	(0.455)	(0.454)
ln (Total Paid Claims)	−0.186	−0.188
	(0.387)	(0.389)
ln (BAM Sample Estimate of Total Claimant Error)	0.268*	0.270*
	(0.147)	(0.148)
Constant	−4.247	−4.293
	(6.391)	(6.362)
Year Fixed Effects	**YES**	**YES**
State Fixed Effects	**YES**	**YES**
Log−Likelihood	−17,490.85	−16,689.6
AIC	35,059.69	33,459.19
BIC	35,251.05	33,653.53
Number of Observations	999	952

Note: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses.
* p ≤ 0.10 ** p ≤ 0.05 *** p ≤ 0.010.

Figure C1 Conditional Appointment Authority Effects on Claimant Overpayment Error Detection by Governors and Agency Heads' Business Experience

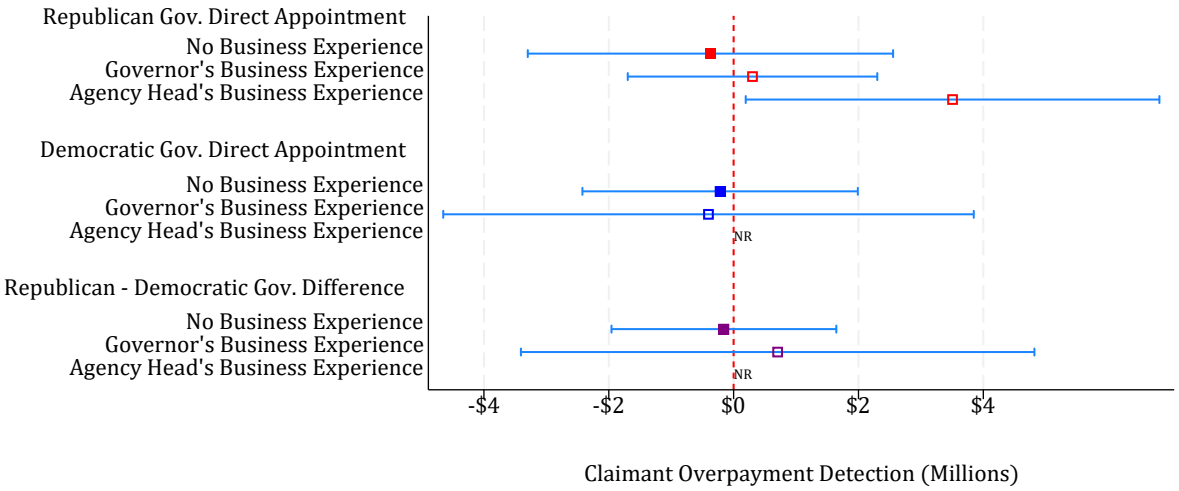
(Unemployment Insurance Agency Heads in the American States, 2002-2021 [FULL SAMPLE])



Note: NR refers to Not Reported due to excessively imprecise estimates

Figure C2 Conditional Appointment Authority Effects on Claimant Overpayment Error Detection by Governors and Agency Heads' Business Experience

(Unemployment Insurance Agency Heads in the American States, 2002-2021 [RESTRICTED SAMPLE])



Note: NR refers to Not Reported due to excessively imprecise estimates

APPENDIX D

Comparison of Reported Unrestricted Model Specifications with Both State and Year Unit Effects Versus Alternative Restricted Model Specifications Omitting Year Unit Effects

Alternative models were estimated comparing the reported two-way fixed effect models containing both state and year unit effects against a restricted version of these models omitting the year unit effects. The results appear in **Appendix Table D1**. The core estimates of interest not only differ, but in some instances change both sign and significance. To adjudicate among these two sets of models based on statistical criteria, several model fit statistics were evaluated (Log-Likelihood Values, AIC and BIC statistics), as well as both descriptive and inferential tests based on differences involving AIC and BIC statistics, log-likelihood ratio statistic tests, and Wald coefficient linear restrictions tests. In every single instance, the unrestricted two-way fixed effect model specification does a vastly superior job of explaining the overpayment claimant error detection data than a restricted one-way fixed effects model specification. For instance, the BIC differentials far exceed the conventional thresholds routinely advocated in model selection (e.g., Raftery 1995).[4] Further, both the Log-likelihood and Wald coefficient linear restriction inferential tests soundly reject the null hypothesis that there is no explanatory difference in overall model fit between these model specifications. Taken together, these results not only indicate that the two-way fixed effect models better represent these data compared to a one-way fixed effect model specification, but also suggests that both omitted variable bias and model misspecification are induced with a one-way fixed effects model specification.

[4] Adrian E. Raftery. 1995. "Bayesian Model Selection in Socia Research." *Sociological Methods and Research*. 25: 111-163.

APPENDIX TABLE D1

Comparison of Reported Unrestricted Models (*Both State and Year Unit Effects*) vs Alternative Restricted Models (*Only State Unit Effects*)

Variable	Model 1	Model D1	Model 2	Model D2	Model 3	Model D3	Model 4	Model D4
Gubernatorial Direct Appointment	0.209*** (0.070)	−0.316 (0.230)	0.217*** (0.071)	−0.448*** (0.150)	_____	_____	_____	_____
Republican Gubernatorial Direct Appointment	_____	_____	_____	_____	0.434*** (0.094)	−0.064 (0.228)	0.444*** (0.094)	−0.176 (0.134)
Democratic Gubernatorial Direct Appointment	_____	_____	_____	_____	−0.159 (0.257)	−0.417 (0.298)	−0.149 (0.256)	−0.527** (0.251)
Model Log−Likelihood Value	−17,609.36	−18,008.31	−16,802.74	−17,183.03	−17,566.11	−17,999.25	−16,761.50	−17,174.47
Log−Likelihood Test 2 ($LL_{Unrestricted\ Model} - LL_{Restricted\ Model}$)	797.90*** [0.000]	_____	760.58*** [0.000]	_____	866.28*** [0.000]	_____	825.94*** [0.000]	_____
AIC Statistic	35,282.72	36,032.62	33,669.49	34,382.07	35,188.21	36,018.50	33,579.01	34,366.93
BIC Statistic:	35,439.74	36,071.87	33,824.96	34,420.94	35,325.60	36,067.57	33,715.05	34,410.66
AIC Unrestricted Model – AIC Restricted Model	−749.90	_____	−712.58	_____	−830.29	_____	−787.92	_____
BIC Unrestricted Model – BIC Restricted Model	−632.13	_____	−595.98	_____	−741.97	_____	−695.61	_____
Linear Restrictions: Omitted Year Unit Effects Test	1.4E+05*** [0.000]	_____	1.5E+05*** [0.000]	_____	62,499.82*** [0.000]	_____	71,428.46*** [0.000]	_____
State Unit Effects	YES	YES	YES	YES	YES	YES	YES	YES
Year Unit Effects	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**	**YES**	**NO**
Control Covariates	YES	YES	YES	YES	YES	YES	YES	YES
Total Number of Observations	999	999	952	952	999	999	952	952

Notes: Lognormal maximum likelihood estimation. Robust standard errors clustered by state appear inside parentheses. Control covariates are included in all model specifications (omitted in table for presentation purposes. * $p \leq 0.10$ ** $p \leq 0.05$ *** $p \leq 0.010$.