

Unemployment Insurance Kept 4.7 Million People Out of Poverty in 2020

Congress Must Include Permanent UI Reform in Reconciliation Package

Unemployment benefits (including temporary pandemic programs) reduced the poverty rate from 12.9% to 11.4%, preventing 4.7 million people, including 1.4 million children, from falling into poverty in 2020, according to a National Employment Law Project analysis of new data released by the U.S. Census Bureau.¹ Unemployment insurance disproportionately lifted Black and Latinx people out of poverty: An estimated 1.1 million Black people and 1.2 million Latinx people avoided poverty as a result of unemployment insurance benefits.

When the COVID-19 pandemic struck, businesses across the country closed their doors and laid off workers. Parents were driven out of the labor force to care for children staying home as schools and daycares shuttered. Black and Latinx workers faced the brunt of layoffs. Unemployment shot up to 14.8%, and more than 23 million U.S. workers were out of work in April 2020.² Congress responded by creating temporary new unemployment supports, which extended the duration of benefits, increased benefit amounts, and reached workers who had previously been excluded. The newly released Census Bureau data reveal that these programs had a real, material impact on people's lives, keeping millions of workers and their families out of poverty.

Yet, the expanded unemployment benefits that were so vital for workers and their families in 2020 abruptly expired on September 6th of this year, even as the pandemic persists and the highly contagious Delta variant continues to sideline workers. Now, people thrown out of work are left with a patchwork of weak state systems that provide inadequate benefits, cut off support before jobseekers have found employment, and exclude two-thirds of unemployed workers entirely.³ Permanent transformation and federal reform of unemployment insurance are necessary to ensure that the system will protect all families from poverty and economic hardship across race, gender, and socioeconomic status and to ensure that economic recovery is equitable.

¹ <https://www.census.gov/library/stories/2021/09/did-unemployment-insurance-lower-official-poverty-rates-in-2020.html>

² Bureau of Labor Statistics

³ Bureau of Labor Statistics, unemployment reciprocity rates.

Fully 8.4 million people in the United States remained unemployed as of August 2021.⁴ For Black and Latinx workers, unemployment remains an acute crisis: 8.8% of Black workers (including 9.1% of Black men) and 6.4% of Latinx workers were officially counted as unemployed. Millions of additional workers—disproportionately Black and Latinx⁵—wanted jobs but stopped actively seeking employment after being unable to find work, or they worked in part-time positions despite wanting full-time employment. Including these underemployed workers brings the total up to 18.6 million workers currently without secure employment. The crisis has not passed, and Congress must step up again.

Rather than temporary fixes with arbitrary cutoff dates, the United States needs permanent changes to the structure of the unemployment insurance program to ensure it can meet the needs of jobless workers as they search for employment. A strong unemployment insurance system is vital to preventing poverty and severe economic hardship both in times of national crisis and in more normal economic times when being laid off is still a disaster for underpaid workers and their families.

The Build Back Better Act now being marked up in the U.S. House of Representatives offers a critical opportunity to build on the features that made pandemic unemployment benefits so successful at reducing poverty—by removing barriers to eligibility that disproportionately exclude Black, Latinx, and women workers; providing benefits that families can survive on; and ensuring that support extends through the length of a typical job search. This crucial opportunity to transform an unemployment insurance system originally designed only for white male breadwinners is vital for ensuring that economic recovery reverses racial, gender, and socioeconomic inequities embedded in the U.S. economy, rather than further entrenching them.

© 2021 National Employment Law Project. This report is covered by the Creative Commons “Attribution-NonCommercial-NoDerivs” license fee (see <http://creativecommons.org/licenses>). For further inquiries, please contact NELP (nelp@nelp.org).

⁴ https://www.bls.gov/news.release/archives/empsit_09032021.htm

⁵ https://www.epi.org/data/#/?subject=underemp&r=*