

Expanded Unemployment Insurance Substantially Reduced Poverty in 2021

Unemployment Benefits Kept 2.3 Million People Out of Poverty

When COVID-19 shuttered workplaces and threw millions of workers out of their jobs, workers demanded that policymakers respond swiftly. Congress transformed unemployment insurance (UI), turning it into an even more powerful anti-poverty tool. Through the CARES Act and other legislation, policymakers temporarily raised UI benefit amounts, dramatically expanded eligibility, and lengthened the number of weeks workers could receive support. As a result, millions of workers and their families were sustained by unemployment benefits in 2020 and 2021, maintaining household spending that supported businesses and fueled the economic recovery.

Unemployment benefits, including pandemic expansions, reduced the supplemental poverty rate from 8.48 percent to 7.78 percent, preventing 2.3 million people, including 525,000 children, from being pushed into poverty in 2021, according to new data from the Supplemental Poverty Measure released by the U.S. Census Bureau.¹

Poverty rates were higher for households of color than for white households. According to the Supplemental Poverty Measure, 5.7 percent of non-Hispanic white households experienced poverty in 2021, compared to 12.4 percent of Native American households, 11.3 percent of Black households, 11.2 percent of Latinx households, and 9.5 percent of Asian households. NELP's analysis found that unemployment insurance disproportionately lifted Black and Latinx workers and their families above the official poverty line in 2020.² Unemployment benefits likely had a similar impact in 2021.

The impact of unemployment insurance on families of color is dramatic because pandemic economic upheavals disproportionately harmed Black, Latinx, Asian, and Native workers, who were more likely to work in hard-hit industries such as retail, hospitality, and construction because of occupational segregation.³ While unemployment rates fell for workers of all races and ethnicities as the economy recovered in 2021, disparities rooted in racism persisted. In 2021, 8.6 percent of Black workers, 8.2 percent of Native American workers, 6.8 of Latinx workers, and 5.0 percent of Asian workers were unemployed, compared to 4.7 percent of white workers.⁴

Women also experienced a disproportionate share of job loss in the pandemic. By the end of 2021, women were still 2.1 million jobs short of pre-pandemic employment levels, with Black, Latina, and Asian women experiencing higher unemployment rates than white women.⁵

Despite the critical role of expanded unemployment benefits in providing a lifeline for workers, their families, and communities, Congress allowed expanded UI benefits to expire in September 2021.⁶ The termination of pandemic unemployment insurance abruptly cut off all UI benefits to 6.5 million jobless workers and dramatically reduced payments to another 5 million workers.⁷ Had the expanded benefits not been terminated, more workers and their families might have avoided poverty. The federal Bureau of Economic Analysis also noted that curtailing expanded unemployment benefits contributed to slowing economic growth in the third quarter of 2021.⁸

Without the expanded federal UI benefits, workers are left with a patchwork of weak state unemployment insurance systems that provide inadequate benefits, end support before many jobseekers find employment, and shut out many unemployed workers entirely. State rules disproportionately exclude Black and Latinx workers from accessing benefits, and payments are lower for workers of color who do succeed in claiming benefits.⁹

Recognizing the considerable power of unemployment benefits to cut poverty and reduce severe hardship, Congress must implement permanent, structural reform of the unemployment insurance system before the next recession hits. Senator Ron Wyden's [Unemployment Insurance Improvement Act](#) would begin to address some significant ways the unemployment insurance system disproportionately excludes Black and Latinx workers, women workers, and workers with disabilities. It does so by providing at least 26 weeks of unemployment benefits, increasing coverage for part-time workers, and expanding eligibility by requiring states to consider workers' most recent earnings and standardizing earning requirements. These reforms lay the groundwork for transforming our unemployment insurance system and enabling all workers to thrive.

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Endnotes

¹ *Income and Poverty in the United States: 2021*, US Census Bureau, September 13, 2022.

² "Unemployment Insurance Kept 4.7 Million People Out Of Poverty In 2020," National Employment Law Project, 2021, <https://www.nelp.org/publication/unemployment-insurance-kept-4-7-million-people-out-of-poverty-in-2020/>.

³ Tyler Boesch, et.al, *Occupational Segregation Left Workers Of Color Especially Vulnerable to COVID-19 Job Losses*, Federal Reserve Bank of Minneapolis, February 7, 2022, <https://www.minneapolisfed.org/article/2022/occupational-segregation-left-workers-of-color-especially-vulnerable-to-covid-19-job-losses>.

⁴ Bureau of Labor Statistics, Current Population Survey.

⁵ Jasmine Tucker, "Uptick in Women's Labor Force Participation Still Leaves Rate at Level Last Seen in 1991," National Women's Law Center, January 2022, <https://nwlcc.org/wp-content/uploads/2022/01/December-Jobs-Day.pdf>.

⁶ To make matters worse, 26 states curtailed expanded UI benefits in the summer of 2021, cutting off access to workers even before the federal government terminated the program.

⁷ “Unemployment Insurance Weekly Claims,” Department of Labor Employment and Training Administration, September 30, 2021.

⁸ “Gross Domestic Product, Third Quarter 2021 (Advance Estimate),” US Department of Commerce Bureau of Economic Analysis, October 28, 2021, <https://www.bea.gov/news/2021/gross-domestic-product-3rd-quarter-2021-advance-estimate>.

⁹ Amy Traub and Kim Diehl, “Reforming Unemployment Insurance Is A Racial Justice Imperative,” National Employment Law Project, February 2022 <https://www.nelp.org/publication/reforming-unemployment-insurance-is-a-racial-justice-imperative/>