

Reforming Unemployment Insurance Is an Economic and Racial Justice Imperative

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The unemployment insurance (UI) system has been a lifeline for tens of millions of jobless workers and their families during the COVID-19 pandemic, and has pumped hundreds of billions of dollars into the economy.¹ Congress can be especially proud of the federal pandemic unemployment programs it created in the CARES Act and reauthorized through early September 2021. Yet, the unprecedented need for those pandemic programs highlights the historic deficiencies of a UI system that has consistently shut out many jobless workers, particularly Black and immigrant workers, from accessing critical support. UI was designed primarily for white, male wage earners, and has been systematically degraded for decades. Workers urgently need congressional action to rebuild a UI system that works for all.

Unemployment Benefits Supported Workers, Families, and the Economy During the Pandemic

- **In 2021 alone, the UI system served as a vital lifeline for more than 53 million workers and injected almost \$800 billion into the economy.**²
- **UI kept 4.7 million people, including 1.4 million children, out of poverty in 2020.**³ **UI disproportionately kept Black and Latinx workers and their families out of poverty:** In 2020 alone, 1.1 million Black workers and their family members and 1.2 million Latinx workers and their family members avoided poverty because of UI benefits.⁴
- UI substantially reduced hardship and broadly improved the well-being of households. During the pandemic, UI recipients were significantly less likely to experience food insecurity, have difficulty with household expenses, fall behind on their mortgage or rent, or report symptoms of anxiety or depression, compared to households that applied for but did not receive UI benefits.⁵
- UI sustained our local, state, and national economies. **The pandemic UI programs paid nearly \$665 billion in federal funds to workers and their families.**⁶ These well-targeted federal dollars were pumped into slumping state and local economies, where they boosted consumer spending and supported local businesses, preventing further layoffs.

The Pandemic Exposed the Structural Shortcomings of Our Unemployment Insurance System

- **When the pandemic hit, millions of workers fell into a UI system that was ill-equipped to meet their needs.** Workers encountered jammed phone lines, crashing websites, claims backlogs, and payment delays. Weakened by state legislatures, state UI systems offered grossly inadequate coverage and benefits, leaving millions of workers with little or no support.
- **In response, Congress enacted critically important federal pandemic unemployment programs that temporarily fixed the biggest gaps in the system—by expanding coverage for app-based and part-time workers and those with caregiving responsibilities, extending benefit duration, and increasing weekly benefit amounts.**
- At the peak of the pandemic, Pandemic Unemployment Assistance (PUA), which covered workers generally excluded from UI, supported 14.6 million workers—half of all unemployment benefit recipients.⁷
- By March 2021, 6.2 million workers who exhausted their state benefits received extended weeks of Pandemic Emergency Unemployment Compensation (PEUC) as they searched for work.⁸
- Federal Pandemic Unemployment Compensation (FPUC), which provided an additional \$600 in weekly benefits (later scaled back to \$300), paid \$438 billion to unemployed workers, ensuring they could afford basic necessities and support their local economy.⁹
- Now that these pandemic programs have ended, UI benefits are providing support to fewer than 1 in 3 unemployed workers.¹⁰

When UI was enacted in 1935, it excluded the 65% of Black workers who worked in agriculture or domestic jobs—industries that were intentionally carved out of the program. Today’s UI program is mostly unchanged and still operates in ways that prevent many Black and Latinx workers from receiving compensation. As detailed in President Biden’s proposed [FY 2023 budget](#), this is a system in urgent need of robust reform.

Congress Must Reform the UI System to End its Disproportionate Harm to Black Workers

- The Black unemployment rate is consistently nearly double that of white workers. In April 2018, when unemployment was at an overall low, the unemployment rate for white workers was 2.7% compared to 6.2% for Black workers.
- As a result of federal laws that permit states to restrict eligibility for UI benefits, **unemployed Black workers were 24% less likely to receive unemployment benefits than their white counterparts over the last 30 years.**¹¹
- Due to racist hiring and firing practices embedded in a labor market that prioritizes white male workers, Black workers are more likely to be unemployed longer than white workers. In the last quarter of 2021, Black workers experienced an average of 31 weeks of unemployment, compared to 26 weeks for white workers. Yet, no state offers 31 weeks of UI benefits, and 10 states offer less than 26 weeks, with Florida offering as few as 12 weeks.
- In Southern states, where a majority of Black workers live,¹² legislators have established benefit formulas that pay the lowest benefits in the nation.¹³

Recommended Reforms to Dismantle the Systemic Racism Entrenched in the UI System¹⁴

- **Set Robust Federal Standards:** Federal law must mandate that states increase benefit duration, improve benefit adequacy, and broaden eligibility. Every worker, no matter what state they live in, should have the same right to benefits that are sufficient to support themselves and their families as they search for suitable employment.
- **Ensure Equitable Access:** Federal law must mandate that states prioritize equitable access to benefits and remove barriers to UI that disproportionately impede workers of color.
- **Modernize the Federal Extended Benefits Program:** Before the next recession, the Extended Benefits (EB) program must be reformed to ensure these benefits are automatically available soon enough and stay available long enough during economic downturns and are fully federally funded on a permanent basis.
- **Increase Administrative Funding:** For decades, states have received flat or reduced administrative funding to run their UI programs. Increased and sustained administrative funding is essential to maintain a UI system that supports workers in both good times and bad times

¹ https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html

² <https://www.dol.gov/newsroom/releases/eta/eta20210811>

³ <https://www.nelp.org/news-releases/unemployment-benefits-kept-4-7-million-people-out-of-poverty-in-2020/>

⁴ <https://www.nelp.org/news-releases/unemployment-benefits-kept-4-7-million-people-out-of-poverty-in-2020/>

⁵ <https://www.bls.gov/opub/mlr/2021/article/applying-for-and-receiving-unemployment-insurance-benefits-during-the-coronavirus-pandemic.htm>

⁶ https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html

⁷ <https://oui.doleta.gov/press/2020/091020.pdf>

⁸ <https://oui.doleta.gov/press/2021/040121.pdf>

⁹ https://oui.doleta.gov/unemploy/docs/cares_act_funding_state.html

¹⁰ <https://oui.doleta.gov/unemploy/chartbook.asp>

¹¹ <https://www.nber.org/papers/w29595>

¹² US Census Bureau. See also <https://www.pewresearch.org/social-trends/2021/03/25/the-growing-diversity-of-black-america/>

¹³ https://www.nelp.org/publication/reforming-unemployment-insurance-is-a-racial-justice-imperative/#_edn2

¹⁴ For a more thorough discussion of policy reforms, please see “Reforming Unemployment Insurance: Stabilizing A System in Crisis and Laying the Foundation for Equity,” available at, <https://www.nelp.org/publication/reforming-unemployment-insurance-stabilizing-a-system-in-crisis-and-laying-the-foundation-for-equity/>; <https://www.dol.gov/sites/dolgov/files/general/budget/2023/CBJ-2023-V1-07.pdf>