

The logo consists of two overlapping arches. The inner arch is dark green, and the outer arch is a lighter shade of green. They are positioned above the project name.

SOUTHERN
ECONOMIC
ADVANCEMENT
PROJECT

Unemployment Compensation Benefit Cuts in the South

Report by Alí Bustamante, PhD

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ABOUT THE SOUTHERN ECONOMIC ADVANCEMENT PROJECT (SEAP)

SEAP is your partner and resource. We amplify the efforts of existing organizations and networks that work towards broadening economic power and building a more equitable future.

Broadening economic power brings attention to how race, class and gender intersect social and economic policy in the South. We explore policy ideas designed to directly address these connections. SEAP focuses on 12 Southern states and marginalized/vulnerable populations within the region and is a fiscally sponsored project of the Roosevelt Institute.

Introduction

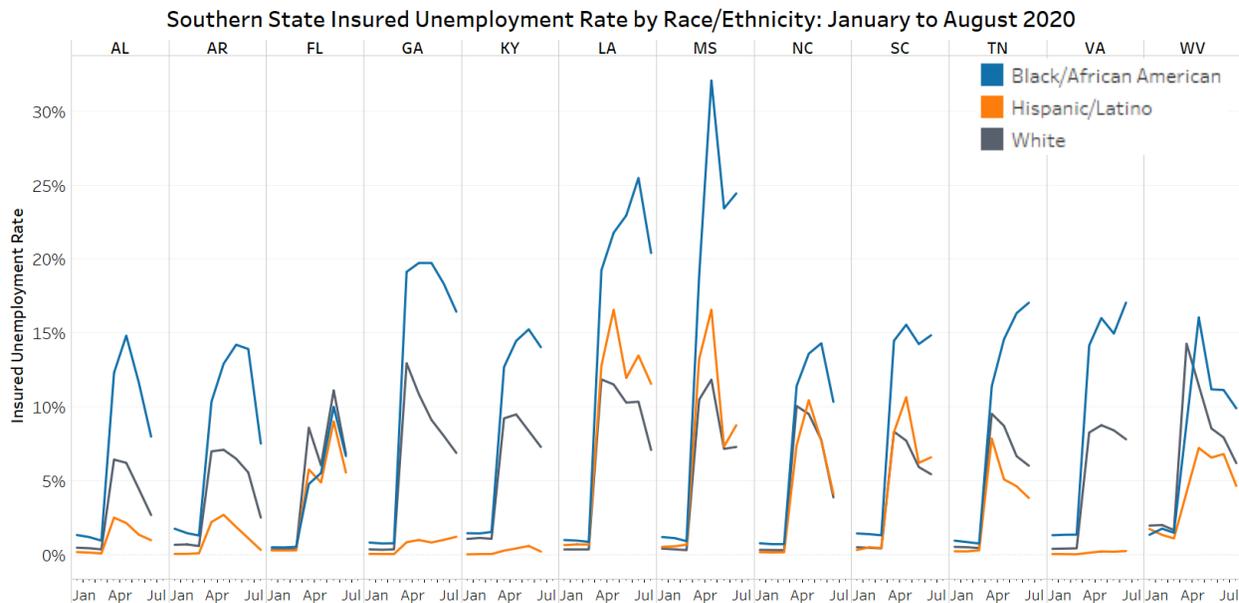
The expiration – and subsequent lack of renewal – of the Federal Pandemic Unemployment Compensation program (FPUC) on July 31, 2020 meant that workers collecting unemployment compensation benefits were no longer provided an additional \$600 per week of benefits. Based on the July insured claims data, unemployed workers in the South lost nearly \$2.1 billion a week from the FPUC's expiration.

On May 5, the U.S. House of Representatives passed the Heroes Act (H.R. 6800 Div. E Sec. 50001) extending FPUC through January 31, 2021. However, the U.S. Senate has yet to vote for the Heroes Act and has therefore failed to provide the much-needed cash assistance to unemployed workers.

Without the FPUC program or other direct cash transfers to the unemployed the specter of mass evictions, bankruptcies, and increased poverty and food insecurity will grow unabated across the U.S.

Insured Unemployment Rate Disparities

Black/African American workers in the South are experiencing a greater income loss from the FPUC expiration when compared to other workers in the region. First, data for July 2020 show that Southern Black/African American workers have an insured unemployment rate of 14.5 percent, ranging from 6.7 percent in Florida to 25.5 percent in Louisiana. Conversely, the insured unemployment rate for Southern White and Hispanic/Latino workers is 6.5 percent and 4.5 percent, respectively. The insured unemployment rate of Black/African American workers is more than double the rate of their White counterparts because Black/African American workers have been disproportionately more vulnerable to job loss during the pandemic. The latter is most evident in Louisiana and Mississippi. Florida is the only state in the South with relatively uniform insured unemployment rates for Black/African American, Hispanic/Latino, and White workers. Louisiana has the highest rates of insured unemployment from all Southern states, including for White and Hispanic/Latino workers.



Source: Author analysis of U.S. Department of Labor: Employment and Training Administration. 2020. Characteristics of the Unemployment Insurance Claimants, <https://oui.doleta.gov/unemploy/chariu.asp>.

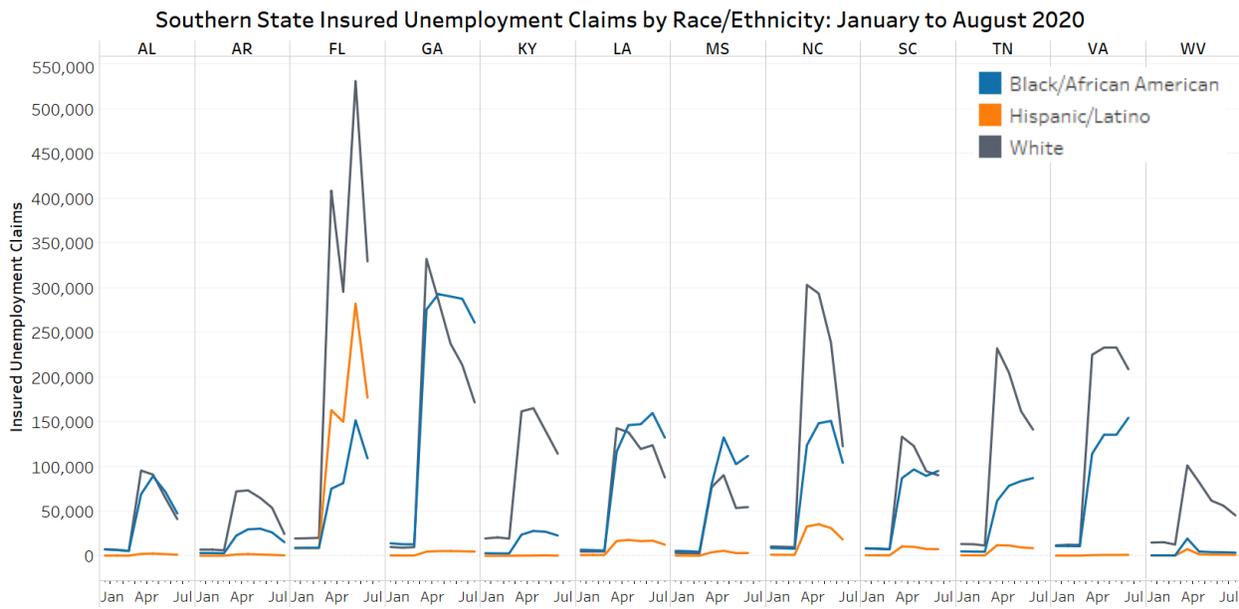
Insured Unemployment Claims

Every state in the South has experienced declines in insured unemployment claims since April or May. This is evidence that the additional \$600 per week of unemployment compensation benefits under the FPUC program did not lead to increased insured claims. The FPUC program – and unemployment compensation benefits generally – do not have a significant impact on the rates of job seeking or reemployment. Instead, reemployment rates are largely a product of job availability. The pandemic has led to mass layoffs, reductions in hours, and business closures that have drastically reduced job openings.

The uncertainty around the development and distribution of a vaccine to suppress the further spread of COVID-19 will continue to depress job openings into the foreseeable future. Increased unemployment compensation benefits enable workers to meet their basic necessities even in a labor market with few job prospects. Every week without the additional \$600 per week of unemployment compensation benefits under the FPUC program Southern White workers lose about \$929 million, Black/African American workers lose \$725 million, and Hispanic/Latino workers lose \$144 million. These estimates correspond to the 1,207,627 insured unemployment compensation claims for Black/African American

workers, the 240,544 claims for Hispanic/Latino workers, and the 1,547,757 claims for White workers in the month of July.

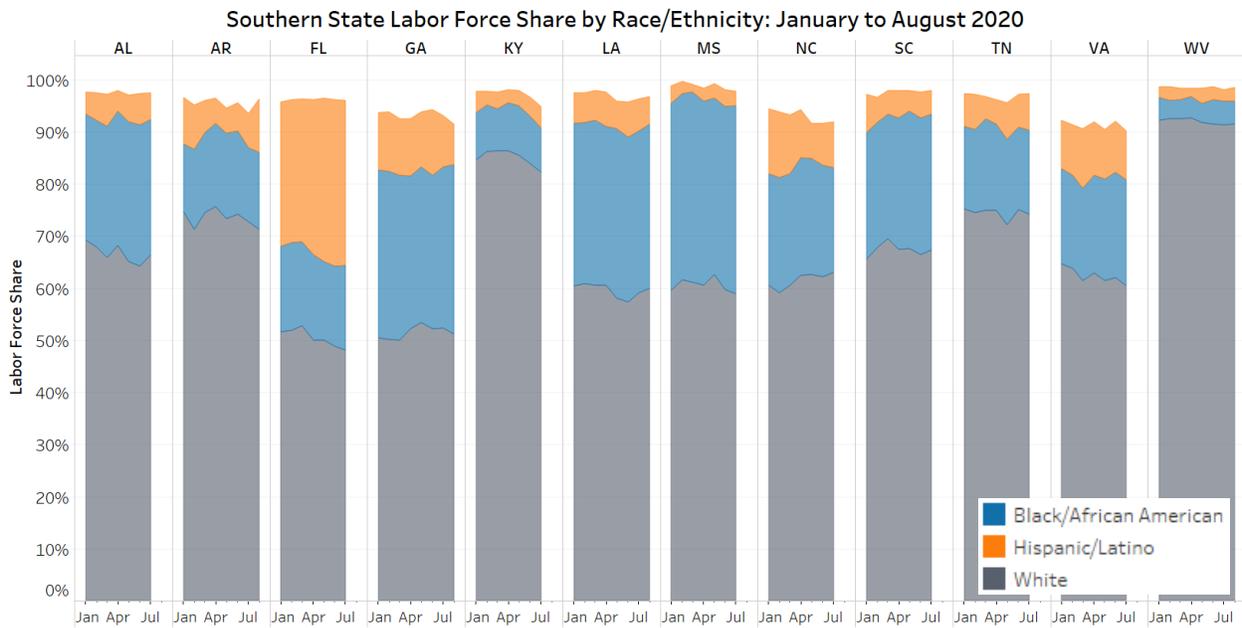
Data for Florida exhibits different claim level patterns relative to other Southern states because of severe problems with its online platform for unemployment compensation claims processing.



Source: Author analysis of U.S. Department of Labor: Employment and Training Administration. 2020. Characteristics of the Unemployment Insurance Claimants, <https://oui.doleta.gov/unemploy/chariu.asp>.

Labor Force Composition

Despite their disproportionately high insured unemployment rate, Black/African American workers represent just 20.9 percent of the Southern labor force, with the highest level of representation in Mississippi at 36.1 percent. Across the South, White workers continue to comprise the labor force majority, 60.4 percent of the Southern labor force – including 91.3 percent of workers in West Virginia. Hispanic/Latino workers are 13.4 percent of the Southern labor force but only reach double figures in Florida with 31.7 percent.



Source: Author analysis of Economic Policy Institute. 2020. Current Population Survey Extracts, Version 1.0.9, <https://microdata.epi.org>.

Conclusion

The data show that the South's history of social and economic exclusion, limited worker protections, and discriminatory policies and practices have led to disproportionate job and income loss for Black/African American workers. However, all workers – irrespective of race or ethnicity – have been negatively impacted by the expiration of the Federal Pandemic Unemployment Compensation program (FPUC) on July 31, 2020 that provided an additional \$600 per week of unemployment compensation benefits.

The economic recession triggered by the pandemic can be mediated and a recovery can ensue through the effective and equitable deployment of supplemental unemployment compensation benefits. The U.S. House of Representatives have met their responsibility and extended FPUC through January 31, 2021 in the passage of the Heroes Act (H.R. 6800 Div. E Sec. 50001). It is imperative that the U.S. Senate pass the Heroes Act and renew the estimated \$2.1 billion weekly payments to the workers of the South. Families, businesses, communities, and the American economy are depending on it.

Resources for Further Reading:

- **Improving Unemployment Insurance in the South:** [South Strong](#)
 - Evermore, M. (2020). National Employment Law Project.
- **Southern States Economic Responses to COVID-19:** [Southern Economic Advancement Project](#)
- **Southern Health and Economic Policy Actions on COVID-19:** [Southern Economic Advancement Project](#)
- **COVID-19 and Child Care:** [Southern Economic Advancement Project](#)
- **Equitable Spending of States' CARES Act Money:** [South Strong](#)
 - Davis, C. Standaert, D. (2020). Hope Policy Institute.
- **Equitable Recovery Strategies:** [State Health and Value Strategies](#)
 - Korn, M., Howard, H. (2020). Princeton University.