Research

Poverty and Unemployment Supplements

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Executive Summary

- There is concern that, without continued federal supplement to state unemployment insurance benefits, unemployed individuals and families will have an inadequate standard of living.
- This study uses poverty thresholds as the standard of adequacy and examines the implications of varying levels of federal supplemental payments for ensuring that individuals in each of the states exceed the federal poverty threshold.
- Minimum-wage earners are most at risk, but with a $200 weekly UI supplement, all single-person households for whom the earner previously made the minimum wage would exceed the threshold, and with a $400 weekly supplement, families of 4 would not fall below the threshold.
- Median-wage workers, especially single-person household earners, are less likely to fall into poverty, but to ensure median-wage families of 4 in all states exceed the standard, a $300 a week supplement would be needed.

Introduction

In response to the government-mandated shutdowns during the COVID-19 pandemic, the federal government instituted a $600 unemployment insurance (UI) supplement to support the standard of living for those who lost their jobs. This supplement has since expired, and as Congress debates whether to extend it, and at what level, many are concerned that families and individuals will not be able to maintain an adequate standard of living on only regular unemployment benefits.

Previous American Action Forum research has analyzed the effects of income support via

enhanced unemployment insurance legislation and other proposals including President Trump's executive order. This study utilizes the federal poverty thresholds as the standard of adequacy and examines how large a federal supplement to state unemployment insurance benefits needs to be to ensure that individuals and households remain above the poverty standard. This analysis looks at median- and minimum-wage earners in each state to calculate the supplement that would keep those individuals and families above the poverty threshold.

Methods

This analysis employs 2019 Census poverty thresholds for different family structures in addition to detailed Bureau of Labor Statistics state-wage data and 2020 minimum-wage data. To determine base benefits at both the median wage and minimum wage, this analysis uses each states' unemployment benefit calculation to determine base benefits at both median wage and minimum wage. Census poverty data for 1 individual, a family of 4 with 1 adult, and a family of 4 with 2 adults were used to find the UI supplement level those respective groups would need to receive in order to stay above the poverty threshold. See the detailed data and calculations here.

Minimum Wage

Individuals who were earning the minimum-wage prior to losing their jobs face a high risk of falling below the poverty threshold based on only the state UI base benefit. At a federal supplement level of $200, across all states a single individual under the age of 65 would remain above the poverty threshold. For families of 4 with 2 adults and 2 children, a supplement level of $400 would keep those families in all states out of poverty. For families of 4 with 1 adult and 3 children, a supplement of $400 would also be sufficient to keep them out of poverty across all states.

Individuals under the age of 65

- Poverty threshold: $13,300 ($256/week)
- UI supplement level needed: $200/week

With annualized base unemployment benefits alone, only 6 states would keep minimum-wage workers above the poverty threshold. Providing a supplement to the weekly base benefit of $100 a week would raise minimum-wage workers in 37 states above the poverty threshold. Increasing the base benefit by $200 a week would see minimum-wage workers in all 50 states and the District of Columbia (DC) remain above the poverty threshold.

Families of 4 (2 adults, 2 children)

- Poverty threshold: $25,926 ($498/week)
- UI supplement level needed: $400/week

In all states, families of 4 with 2 adults and 2 children would fall below the poverty threshold on the basis of state-level benefits, as well as base benefits plus a $100 supplement. With a $200 supplement, only DC and Oklahoma families would be above the threshold. With a $300 weekly supplement, families of 4 in 21 states would be above the poverty threshold, and with a $400 weekly supplement this would be true of all states and DC.

Families of 4 (1 adult, 3 children)

- Poverty threshold: $26,017 ($500/week)
- UI supplement level needed: $400/week

Much like families of 4 with 2 adults, 4-person households with 1 adult would fall below the poverty threshold with base benefits plus a $100 weekly supplement. This holds true for a $200 weekly supplement at well. With a $300 supplement, single-adult families of 4would be above the threshold in 19 states and at the $400 level all single-adult families of 4would be above the threshold.

Median Wage

Using the median state wage to compute unemployment benefits, individuals and families are much less likely to be below the poverty threshold. Due to median earnings being significantly higher than minimum wage, it's unsurprising that base UI benefits for median-wage workers would be sufficient to keep many of them above the poverty threshold. Across all states, a supplement of $100 a week is sufficient to keep a single individual under the age of 65 above the poverty threshold. For families of 4 with 2 adults and 2 children, a supplement of $300 would keep those families in all states out of poverty. For families of 4 with 1 adult and 3 children, a supplement of $300 would also be sufficient to keep them out of poverty across all states.

Individuals under the age of 65

- Poverty threshold: $13,300 ($256/week)
- UI supplement level needed: $100/week

At base benefits, single median-wage workers in 48 states would be above the poverty level. Arizona, Louisiana, and Mississippi median-wage workers would fall below the poverty threshold by $16, $9, $21 a week, respectively. By adding $100 to base benefits, all 50 states and DC would be above the poverty level.

Families of 4 (2 adults, 2 children)

- Poverty threshold: $25,926 ($498/week)
- UI supplement level needed: $300/week

Based on the median wage, UI base benefits for families of 4 (2 adults and 2 children) would fall below the poverty threshold in all but 3 states. With a $100 weekly UI supplement, families in 21 states would be above the threshold. With a $200 supplement, families in 45 states would be above the poverty threshold, and with a $300 supplement, 2-adult families of 4 in all states would be above the poverty threshold.

Families of 4 (1 adult, 3 children)

- Poverty threshold: $26,017 ($500/week)
- UI supplement level needed: $300/week

In single-adult, 4-person families, the results are very similar to 2-adult, 4-person families. The main difference is that at the $100 weekly supplement level, families in 20 states would be above the poverty threshold. The state of Delaware falls right below the threshold. Base benefits, $200 supplement, and $300 supplement results are the same as above with 3, 45, and 51 states where all single-adult families are above the poverty threshold.

Conclusion

The overall state of the economy remains well below the pre-pandemic levels of employment, output, and income. Thus, there are concerns about unemployed families having an adequate standard of living. Even in a situation where there is a minimum-wage, single-adult earner in a 4-person family, a supplement of $400 a week would keep them from falling below the poverty threshold. The supplement level is understandably lower for smaller families and earners higher on the wage distribution.