

Public Investments Improved the Economic Status of Black Americans, but Significant Barriers to Economic Opportunity and Security Remain

Federal investments in response to the pandemic recession have led to near-record low unemployment among Black workers, helped narrow racial disparities across the U.S. economy, and strengthened the economic standing of Black Americans. Strong job growth and historic low unemployment has led to significant gains for Black workers, including higher labor force participation and wage growth. The expansion of the Child Tax Credit in the American Rescue Plan also helped lead to a record drop in poverty for Black Americans and children in 2021. Federal economic relief programs in 2021 also supported the sharpest increase in Black homeownership since the Great Recession.

Black Americans nonetheless continue to face major barriers to economic opportunity and security, resulting in persistent disparities in the labor market, poverty, and wealth.

Black Americans remain nearly twice as likely to be unemployed as white workers.

Discrimination in the labor market continues to limit the earnings of Black workers, particularly the earnings of Black women. As a result, Black families are nearly twice as likely as their white counterparts to fall below the poverty line.

The success of the expanded Child Tax Credit and other policies show that public investments can create economic opportunities for Black Americans and reduce the racial wealth gap. Evidence shows that investing in early childhood education and alleviating poverty for families will yield long-term benefits for Black families, while protecting programs like Social Security and Medicare will ensure economic security for millions of Black seniors.

Public investments made by Democrats in Congress and President Biden have helped improve the economic security of Black Americans

The ongoing economic recovery has brought the unemployment rate for Black workers near a record low

The strong labor market in 2022 and 2023 has empowered workers, benefiting Black workers across the country. In January 2023, Black workers' unemployment rate reached 5.4%, tied for the second-lowest rate on record. Overall, 59.5% of Black adults are employed, the highest share since the turn of the century, and nearly 63% of Black adults are either actively working or looking for work.

These gains were enabled by a wide range of [federal investments](#), including the American Rescue Plan, which helped the economy recover from the pandemic recession by supporting families and businesses. This strong economic recovery has been [especially](#) beneficial for Black workers, as competition for workers [disincentivizes](#) the type of discrimination embedded in the U.S. labor market. The structural barriers Black workers continue to face in the labor market are evident in the Black-white unemployment ratio; in January 2023, the unemployment rate for Black workers was 1.7 times the white rate, only slightly below the historical average of about 2-to-1 since 1972.

Black Workers' Unemployment Rate Is Near a Record Low, But Remains Nearly Twice as High as White Workers'

Unemployment rate by race, Jan. 2000 to Jan. 2023



Source: Bureau of Labor Statistics
Note: Data are seasonally adjusted.



Public investments lifted a record number of Black Americans, especially Black children, out of poverty in 2021

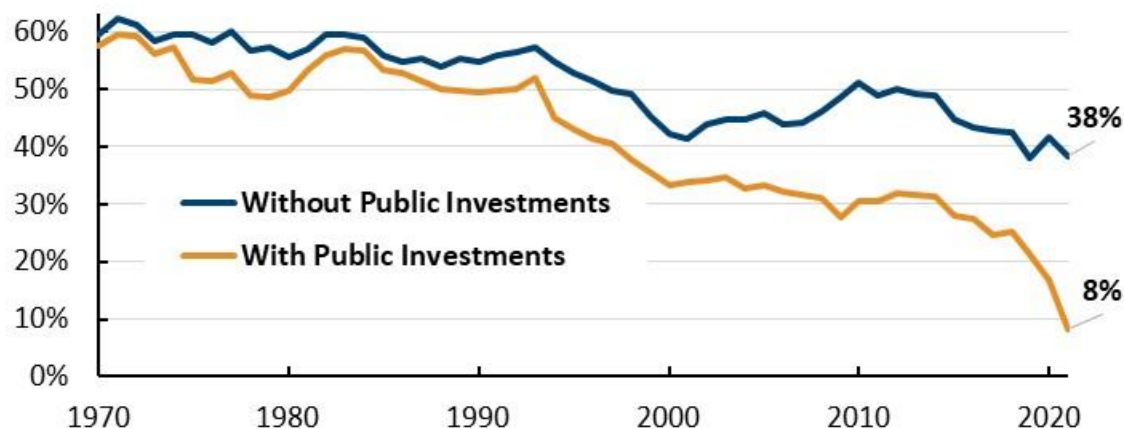
The American Rescue Plan and other investments reduced racial disparities in poverty in 2021, even as the coronavirus pandemic continued to disrupt the economy. As a result of these investments, the poverty rate for Black Americans [fell](#) nearly a quarter from 2020 to 2021, reaching a record low of 11.3%. The gap between the share of Black and white Americans living in poverty also fell to an all-time low, with Black Americans just under twice as likely to live in poverty than white Americans. While still too high, the poverty rate for Black Americans in 2021 marked a significant improvement over 2018, when Black Americans were almost 2.4 times as likely to live in poverty. In total, 9.5 million Black Americans, including 3.1 million Black children, were lifted above the poverty line in 2021 due in large part by refundable tax credits and Social Security.

The poverty rate for Black children saw an even more drastic drop in 2021, falling to 8.3% from 25.3% pre-pandemic. This record-breaking gain was the result of public investments in economic security programs. For example, the expanded Child Tax Credit in the American Rescue Plan rendered 45% of Black children [newly eligible](#) for the full credit, as their families'

low earnings previously excluded them. The update to the [Thrifty Food Plan](#) also helped Black children, as they experienced the largest drop in poverty of any racial or ethnic group in the last quarter of 2021. This reduction in child poverty among Black children will have long term effects; [children](#) whose families receive income support perform better in school, are more likely to graduate high-school, are healthier and have higher earnings in adulthood.

Without Public Investments, Almost 40 Percent of Black Children Would Live In Poverty

Black child poverty rate with and without government assistance and tax credits, 1970-2021



Source: Center on Budget and Policy Priorities

Notes: Data are anchored to 2021 poverty thresholds and refer to the non-Hispanic Black population.



Federal relief helped Black Americans expand homeownership and entrepreneurship

Homeownership serves a primary vehicle to build wealth in the U.S., but Black Americans have historically been less likely to be homeowners than their white peers due to historical segregation laws and unequal access to capital. However, economic relief in response to the coronavirus pandemic allowed some underrepresented families to purchase their first home. As a result, in 2021 the share of Black Americans living in their own homes [increased](#) for the first time in over two decades.

Federal relief also led to a boom in new business applications and formation during the pandemic and in its aftermath, leading to a noticeable increase in Black Americans' entrepreneurship. Areas with a higher proportion of Black residents, especially higher-income Black neighborhoods, [showed](#) higher growth in startup formation rates between 2019 and 2020. More equitable disbursement of funds from the Paycheck Protection Program (PPP) in the third and final round of the program in 2021 also reached Black and other underrepresented entrepreneurs [significantly better](#) than earlier disbursements in 2020, allowing Black business owners to stay afloat and keep their businesses open.

Federal efforts to [empower](#) the Minority Business Development Agency will also lead to improved access to capital for Black-owned businesses. Similarly, using federal procurement to narrow the racial wealth gap for black entrepreneurs will help close disparities between white and Black entrepreneurs. These [efforts](#) are now within reach thanks to new public access to disaggregated data of federal contracting, which will allow the public to better track progress.

[Despite recent gains, disparities in hiring, earnings, and wealth continue to demand policy solutions](#)

Black workers continue to face barriers to employment and pay equity

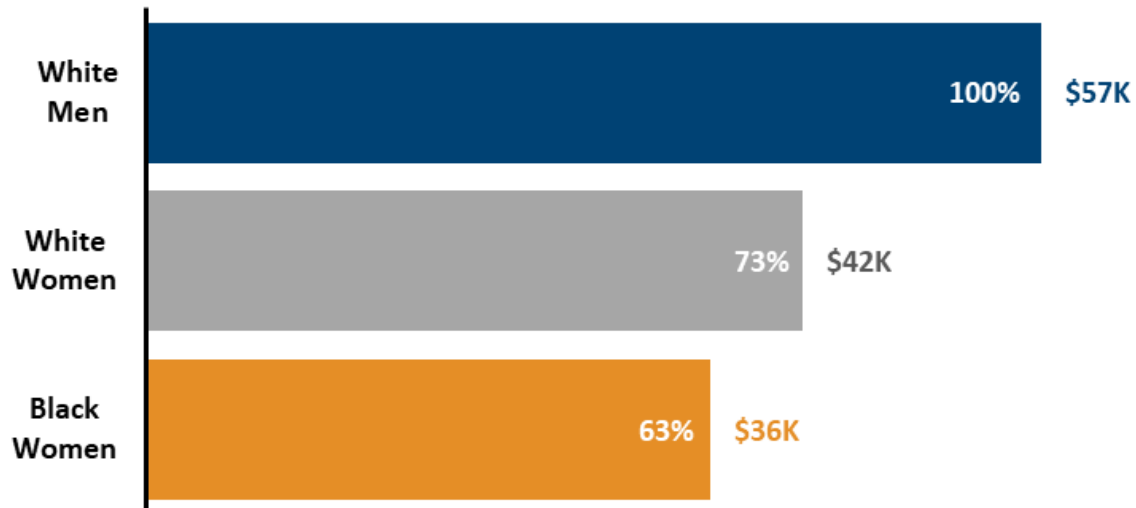
Despite unemployment for Black workers reaching near-record lows, they are still almost twice as likely to be unemployed as their white counterparts—a [persistent problem](#) in the U.S. labor market. While this Black-white unemployment gap has decreased recently and is now near a historic low, Black workers' unemployment rate remains 1.7 times greater than the rate for white workers. These disparities in employment are present at all levels of education, age, and gender, reflecting the persistent impact of structural inequities and discrimination, irrespective of experience, education, and training.

Black workers are also more likely to get paid less than their white counterparts. Prior to the pandemic, the median Black worker earned 23.4% [less](#) than the typical white worker. This gap is larger today than it was in 1979, and it is far worse for Black women who face a "[double gap](#)." The racial pay gap and gender pay gap both constrained the earnings potential of the typical Black woman in the U.S. labor market. In fact, the median Black woman earns [63 cents](#) for

every dollar earned by the typical white male worker. This disparity is more pronounced than the broader gender pay gap that women face in the U.S. labor market.

Black Women Are Disproportionately Hurt by the Wage Gap

Absolute and relative median earnings for workers, 2021



Source: JEC calculations based on March 2022 CPS ASEC data

Notes: "White" refers to "White Alone, not Hispanic"; "Black" refers to "Black Alone or in Combination"



Black Americans remain twice as likely to live in poverty as white Americans

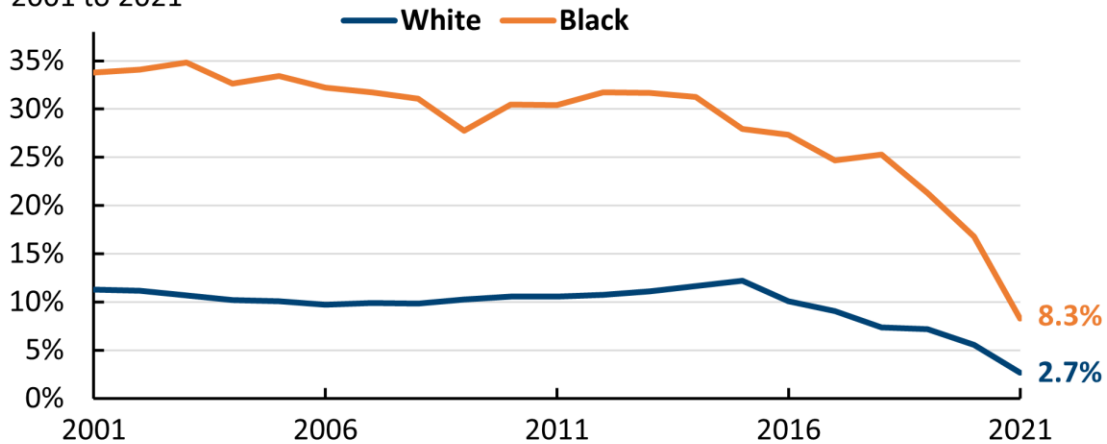
The same economic barriers that lead to the Black-white pay gap also leave Black Americans more susceptible to poverty than their white peers. At the turn of the century, more than 1 in 4 Black Americans fell below the poverty line. This rate was more than twice as high as the poverty rate for white Americans (10%). The poverty rate for Black Americans has declined by more than half since the early 2000s, to 11.2% in 2021, but Black Americans remain twice as likely as their white peers to fall below the poverty line—even after accounting for government policies and tax credits.

Higher level poverty hurt Black children in particular. More than 1 in 3 Black children fell below the poverty line by the early 2000s, compared to about 1 in 10 white children. The share of Black children in poverty has declined by more than half over the last two decades. But Black children continue to be at least 3 times as likely as white children to be counted among the poor.

This early exposure to deprivation continues to create disadvantages in education, earnings, and wealth accumulation throughout their lives.

Child Poverty Fell to a Record Low in 2021, but Black Children Remain Three Times As Likely To Live in Poverty

Child poverty rates after government assistance and tax credits, by race, 2001 to 2021



Source: Center on Budget and Policy Priorities

Notes: Data are anchored to 2021 poverty thresholds and adjusted backwards for inflation. White refers to the non-Hispanic white population. Black refers to the non-Hispanic Black population.



Wealth inequities hinder the economic security and mobility of Black families and entrepreneurs

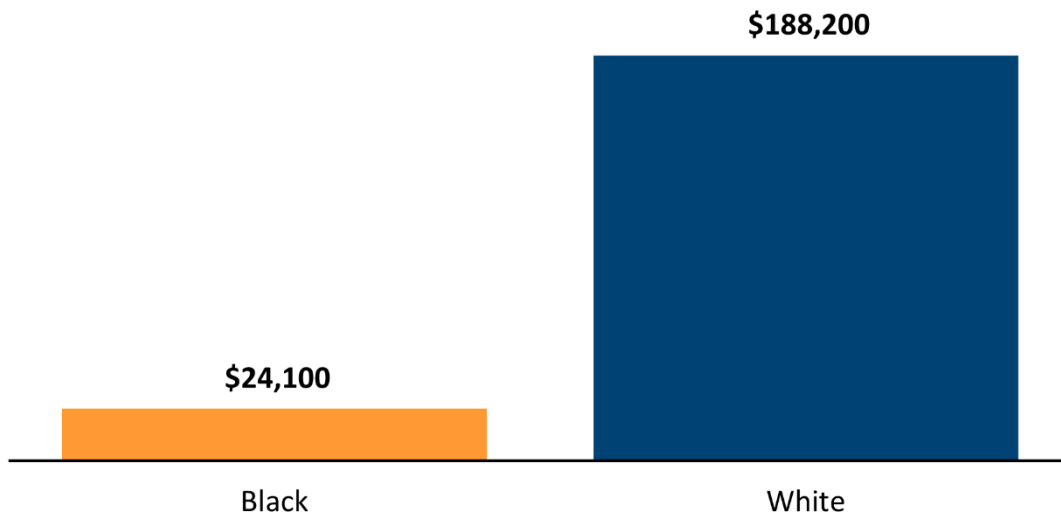
Wealth is a key [determinant](#) of current and future economic opportunity and security. It enables opportunity, helping families finance access to quality health care, education, and entrepreneurship. Wealth even helps facilitate [labor market mobility](#) for the affluent. Wealth also begets wealth: families with a high net worth can more readily make transfers to younger generations than their counterparts. Wealthier families can afford these transfers without having to pay a deep penalty thanks to a [tax code](#) that disproportionately rewards white and affluent Americans.

Black Americans have [historically](#) owned only about 4% of the nation's wealth since 1989 (the first year for which data is available)—despite accounting for a much larger share of the population. The typical white family holds about 8 times as much wealth as the typical Black

family (see figure below), echoing inequities in homeownership, retirement security, and intergenerational transfers. These very disparities in net worth steepen the cost of a college education and the impact of college debt for [Black students](#), and they hold back business formation and development for [Black entrepreneurs](#), limiting the overall economic participation of Black American in the U.S. economy.

Black American Net Worth Lags Far Behind White Families

Median family net worth by race, 2019



Source: Federal Reserve Survey of Consumer Finances

Note: White refers to the non-Hispanic white population. Black refers to the non-Hispanic Black population.



Public policy can continue to play a leading role in helping narrow economic disparities that limit the economic participation of Black Americans

Black Americans face serious barriers to economic security, but public investments have reduced many of these disparities, especially in the last year. In particular, the strong labor market has brought unemployment for Black workers near its record low and raised Black wages nationwide. At the same time, investments in Black families and businesses boosted Black homeownership and entrepreneurship, while bringing poverty to a record low.

However, structural changes will be needed to fully close persistent racial disparities. Early investments such as [early childhood education](#) and the Child Tax Credit have been shown to

increase a child's lifetime earnings and economic security. These investments also [support parents](#), especially mothers, by making it possible for them to return to school or the workforce. Similarly, [reimagining public safety](#) in order to break the cycle of violence and end mass incarceration is necessary to enable Black men, women, and children to fully participate in the economy.

Labor market [reforms](#) such as the Raise the Wage Act and the PRO Act would empower workers, limit opportunities for discrimination, and reduce income disparities. States have demonstrated the effectiveness of a range of policies to encourage wealth building, including children's savings accounts (also called [Baby Bonds](#)), a down-payment assistance fund, and reparative justice proposals.

Congress should continue to protect existing economic benefit and social insurance programs such as Social Security, Medicare, Medicaid, and unemployment insurance against Republican plans to cut benefits and increase the retirement age. These programs play a crucial role in helping families respond to economic challenges and the vicissitudes of life. In addition to supporting Black families and workers, fighting discrimination and closing racial economic disparities would [spur](#) overall economic growth. By one [estimate](#), closing the racial wealth gap pre-pandemic would have increased GDP by 4-6% in a decade, while [another](#) study projects closing the gap would result in \$8 trillion in growth by 2050. Democrats in Congress and the Biden administration have already made significant progress towards Black economic security, but more work is required to make the American economy truly equitable.