**Unemployment**

The unemployment rate is projected to decline gradually in the coming years as a result of continued economic growth and legislation the Congress passed in 2020. In CBO’s projections, the overall unemployment rate falls from 6.7 percent at the end of 2020 to 5.3 percent by late 2021. It is projected to fall below its natural rate by 2024 and reach 3.9 percent by 2026. However, the unemployment rates for younger workers, workers without a bachelor’s degree, and Black or Hispanic workers are expected to improve more slowly than the overall unemployment rate.

After the first decade or so, the unemployment rate is expected to remain roughly one-quarter of one percentage point above its natural rate, a difference that is consistent with both the average historical relationship between the two measures and the projected gap of one half of one percent between actual and potential GDP. CBO projects the natural rate of unemployment to decline gradually over the next three decades, from 4.5 percent in 2021 to 4.3 percent in 2031 and to 3.9 percent in 2051. That slow decline reflects the continuing shift in the composition of the workforce toward older workers, who tend to have lower rates of unemployment (when they participate in the labor force), and away from less-educated workers, who tend to have higher ones. As the natural rate of unemployment declines, the actual unemployment rate is also projected to decline. By 2051, the actual rate is projected to reach 4.2 percent.

**Other Mandatory Spending (UI falls under this category)**

As scheduled under current law through 2031; thereafter, refundable tax credits are estimated as part of revenue projections, and the rest of other mandatory spending is assumed to decline as a percentage of GDP at roughly the same annual rate at which it is projected to decline between 2026 and 2030 in the agency’s baseline published in March 2020…

Since the mid-1960s, mandatory spending, excluding that for Social Security and the major health care programs, has generally remained between 2 percent and 4 percent of GDP. That category of spending includes spending for SNAP, **unemployment compensation**, retirement programs for federal civilian and military employees, certain veterans’ programs, Supplemental Security Income, and certain refundable tax credits.

Other mandatory spending is projected to equal 6.3 percent of GDP in 2021. Such spending equaled 10.4 percent of GDP in 2020, an increase from 2.7 percent in 2019 that is mainly attributable to policies enacted in response to the pandemic and associated economic downturn. For the rest of the 10-year period, such spending generally declines as a share of the economy, reaching 2.2 percent of GDP in 2031. The projected decline occurs in part because benefit amounts for many of those programs are adjusted for inflation each year, and inflation in CBO’s economic forecast is estimated to be less than the rate of growth in nominal GDP.

In CBO’s extended baseline projections, other mandatory spending falls to 1.9 percent of GDP by 2051. That reduction is partly attributable to growth in income, which decreases the number of people who qualify for refundable tax credits. That reduction also reflects the assumption that after 2031 other mandatory spending, excluding outlays for such tax credits, declines at roughly the same rate by which it is projected to fall between 2026 and 2030 in the baseline the agency published in March 2020.