
HOUSEHOLD ECONOMIC WELL-BEING UNDER COVID-19 IN THE U.S.

Andrea Beller, Professor Emerita

Department of Agricultural and Consumer Economics

University of Illinois at Urbana-Champaign

INTRODUCTION

- Households have suffered considerable economic challenges as a result of the pandemic.
 - Unemployment through layoffs, and hours reductions → → Reductions in income
- Examine multiple aspects of the impact of the economic downturn
 - Employment; Financial assistance and security; Consumer spending; Mothers and children
- Many economists have been studying it

MULTIPLE ASPECTS OF THE ECONOMIC DOWNTURN

- Employment
 - Unemployment, layoffs and hours reductions
 - Racial differentials
 - Gender differentials – “She-session”
- Financial Assistance and Security
- Consumer spending
 - Decline and recovery
 - Affluent neighborhoods
- Mothers of young children and childcare
 - Labor force participation and hours of work
 - Long-term impact – “Career scarring”
 - School closings and on-line learning
 - “Learning loss” in low-income children

POLICY TOOLS

- Unemployment insurance
 - Supplemented and extended to new populations
 - Targeted
- Supplemental Nutrition Assistance Program (SNAP)
 - Targeted
- CARES Act Economic Impact Payments
 - Stimulus checks
 - Not targeted

SOURCES

- Federal Reserve Board of Governors
 - 2nd supplemental survey, July 2020 (4000 people)
- Professor Raj Chetty, Harvard University
 - Opportunity Insights Economic Tracker, www.tracktherecovery.org
 - Won the John Bates Clark award in 2013, and was still under 40 in July 2020
 - “I’m going to claim that Raj Chetty is the greatest economist of his generation.” John Shoven, July 2020
- The Rand Corporation, survey, September 2020
- Duke University, Center for Child & Family Policy, November 2020
- 2021 American Economic Association Meetings, January 2021
- New York Times and other media

EMPLOYMENT : FED SURVEY JULY 2020*

- Employment
 - About 25% lower in mid-April than it had been in mid-January
 - Layoffs
 - Blacks and Hispanics were more likely to report a layoff than Whites
 - Women were more likely than men
- Unemployment rate
 - In April 2020 increased by 10.3 percentage points to 14.7 percent
 - Blacks 16.7%, Whites 14.2%; Women 15.5%, Men 13.0%

* The source for this and the following slides is the Federal Reserve Board, until stated otherwise.

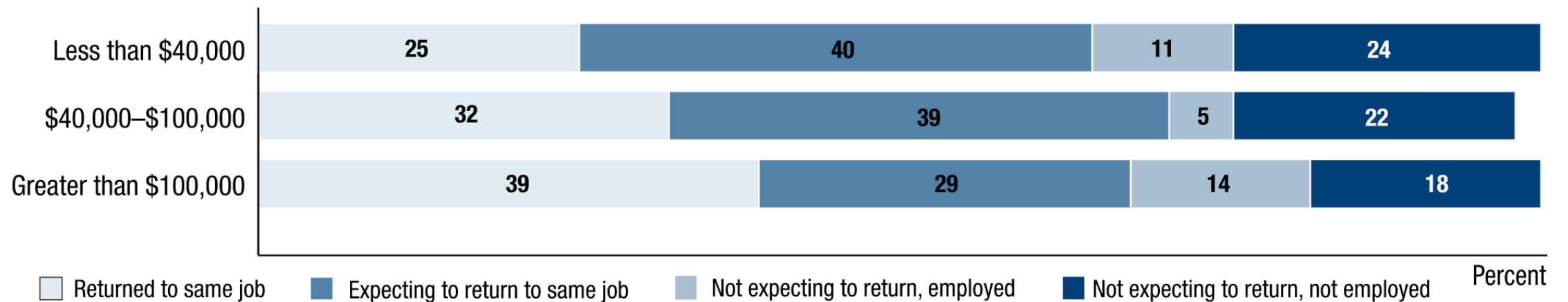
EMPLOYMENT (CONT.)

- Expectations about returning to work –
 - Of those laid off between March and July
 - 30% had since returned to work for the same employer
 - 22% did not expect to return to their previous employer and were not working at another job.
 - Graph – Expectations by family income

EXPECTATIONS ABOUT RETURNING TO WORK BY FAMILY INCOME

- Income < \$40,000 vs. Income > \$100,000
- 25% vs. 39% had returned to same job
- 24% vs. 18% not expecting to return and not employed

Figure 3. Expectations about returning to work and current employment for laid-off workers (by family income)



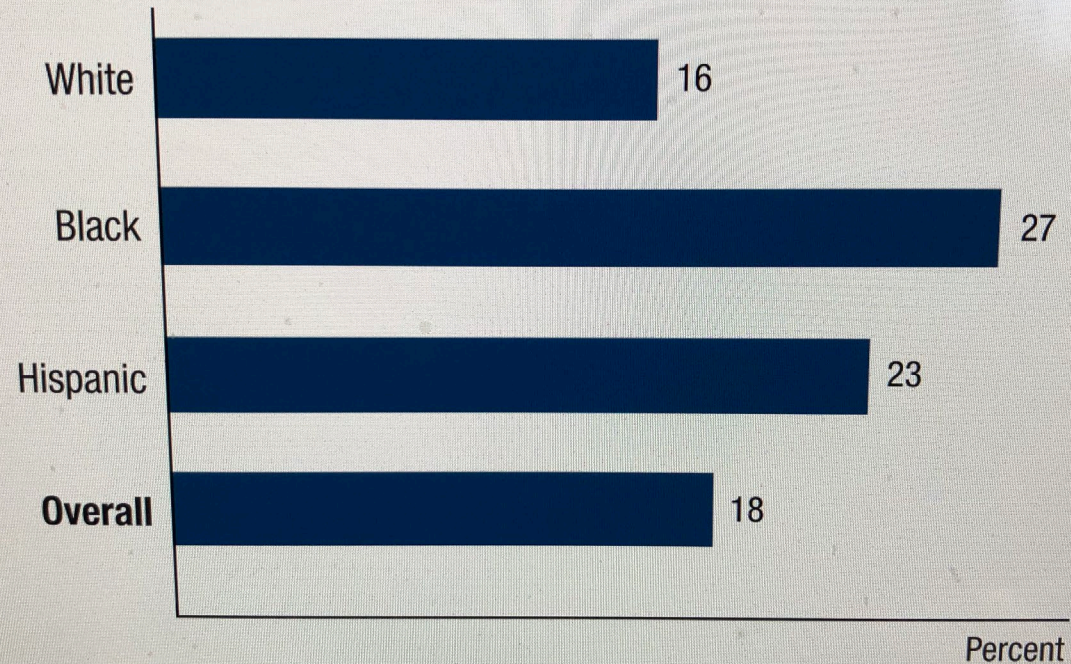
EMPLOYMENT (CONT.)

- 31% of workers did all their work from home (July)
 - 12% of those with a high school degree or less
 - 50% of those with a Bachelor's degree or more
- Employer was taking too few precautions to prevent the spread of COVID-19.
 - See Figure 5.

IS EMPLOYER TAKING ENOUGH PRECAUTIONS?

Blacks much less likely to think so than Whites

Figure 5. Think employer is not taking enough precautions to prevent the spread of COVID-19



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Note: Among employed, self-employed, and those who voluntarily quit or were laid off since March 2020.

EMPLOYMENT (CONT.)

- Of working parents, 3 percent expected to stop working, and 19 percent expected to work less, if their local schools did not have in-person classes in the fall.
 - 4 % and 23 % of mothers
 - 2 % and 15 % of fathers
- Will discuss impact on mothers later

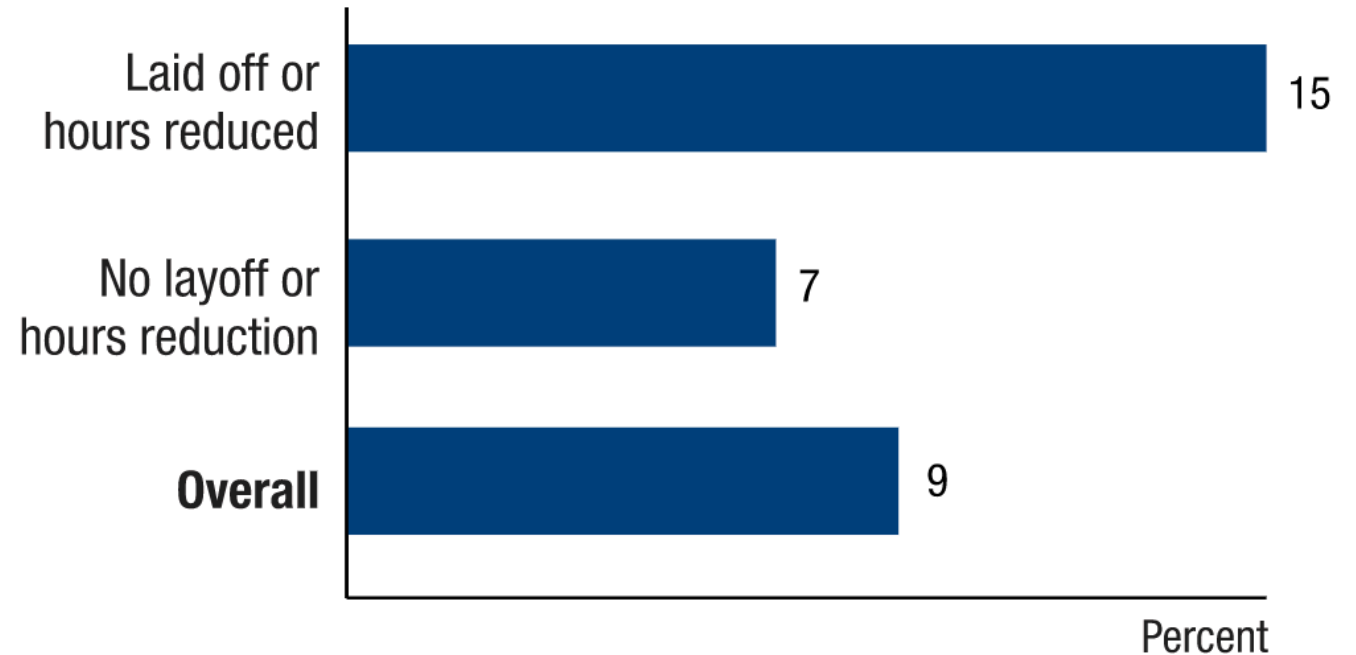
FINANCIAL ASSISTANCE

- Nearly one-fourth of adults reported they, or spouse or partner, received assistance since the start of the pandemic
 - unemployment insurance (11%),
 - SNAP (10%)
 - free groceries or meals from charitable organizations (8%).
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided enhanced unemployment insurance benefits of \$600 per week
 - 40 percent of recipients said the benefits were larger than their previous wages while working
 - More likely to be larger for low-income families (56%)
 - 23 percent said they were about the same.

FINANCIAL ASSISTANCE (CONT.)

- Some adults tapped their own savings to cover financial shortfalls
- If employment disruptions more likely

Figure 11. Borrowed from or cashed out retirement savings accounts in the past 12 months (by employment disruption)

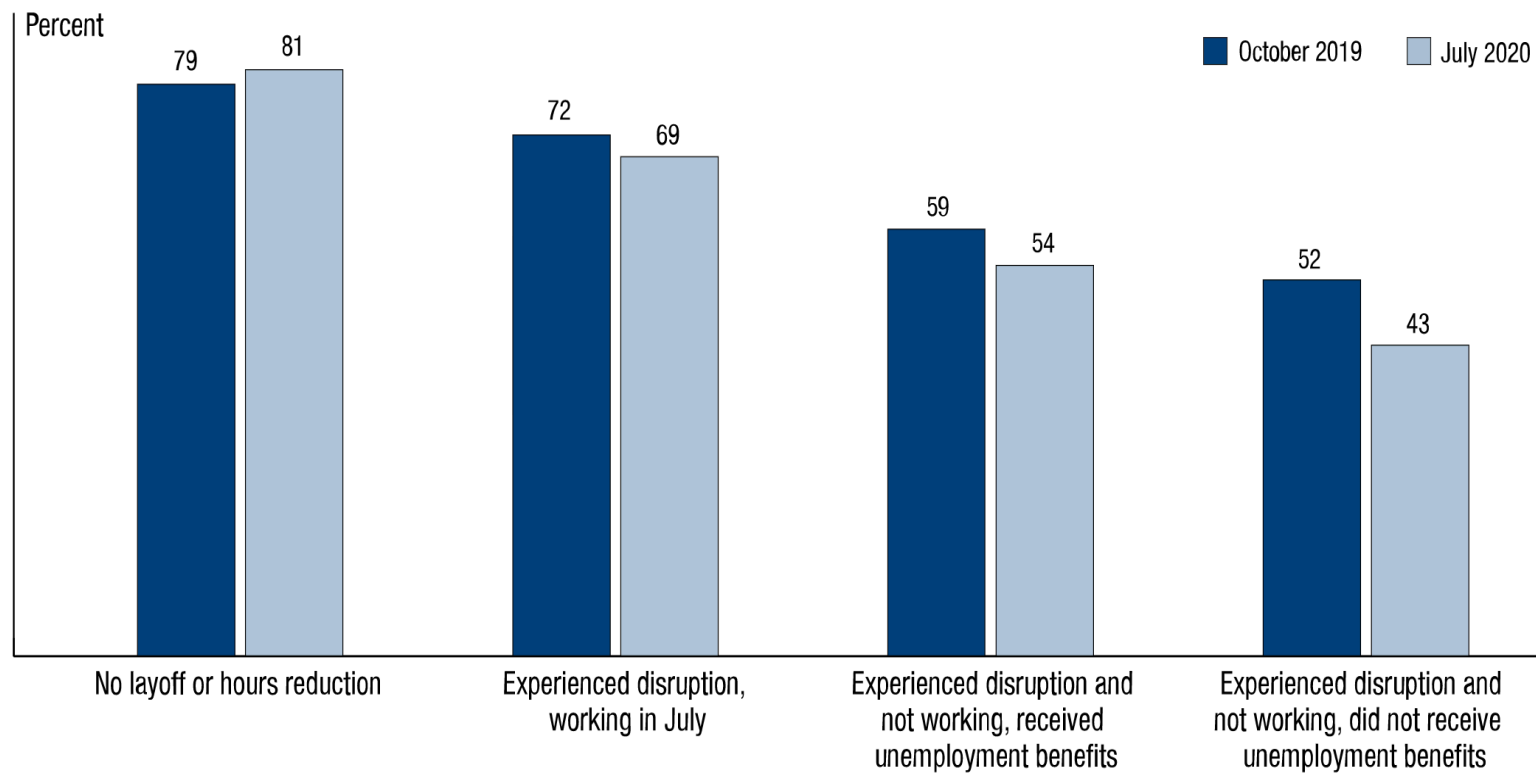


OVERALL FINANCIAL SECURITY

- The substantial layoffs in March and April “upended the lives of many families”.
 - By July, some people had returned to work and others were receiving financial assistance.
- Most people reported they were equally as well off in July as in October 2019.
 - Except one group - those laid off, not employed, and not receiving unemployment benefits

OVERALL FINANCIAL SECURITY

Figure 12. Doing okay or living comfortably (by employment disruption and unemployment benefit receipt since March 2020)



FINANCIAL DIFFICULTIES

- Switch to another survey to examine Financial Difficulties
- Ability to pay bills and handle small financial emergencies, July
 - Laid-off adults not working and not receiving unemployment benefits showed the largest decline in ability to pay their bills.
- SOURCE: Carman, Katherine Grace and Shanthi Nataraj, Heading into the Holidays, Americans' Financial Difficulties Continue. Santa Monica, CA: RAND Corporation, 2020.
https://www.rand.org/pubs/research_reports/RR308-10.html.

Based on data from 2020 American Life Panel Survey on Impacts of COVID-19, Rand Corporation.

FINANCIAL DIFFICULTIES

- Despite increases in employment and spending, “many U.S. households continue to struggle financially” (as of September)
 - Particularly severe among lower-income workers and among Black and Hispanic households
 - Black workers less likely to have received UI, even after having been approved for it
 - People visiting a food bank were not always able to access food
- Figure 1. Percentage of Respondents Reporting Difficulty Paying Bills
- Figure 4. Methods of Paying Bills, by Difficulty Paying Bills

OVER 30% HAD
DIFFICULTY
PAYING BILLS

OUT OF RESPONDENTS
WORKING IN FEB. 2020

Figure 1. Percentage of Respondents Reporting Difficulty Paying Bills

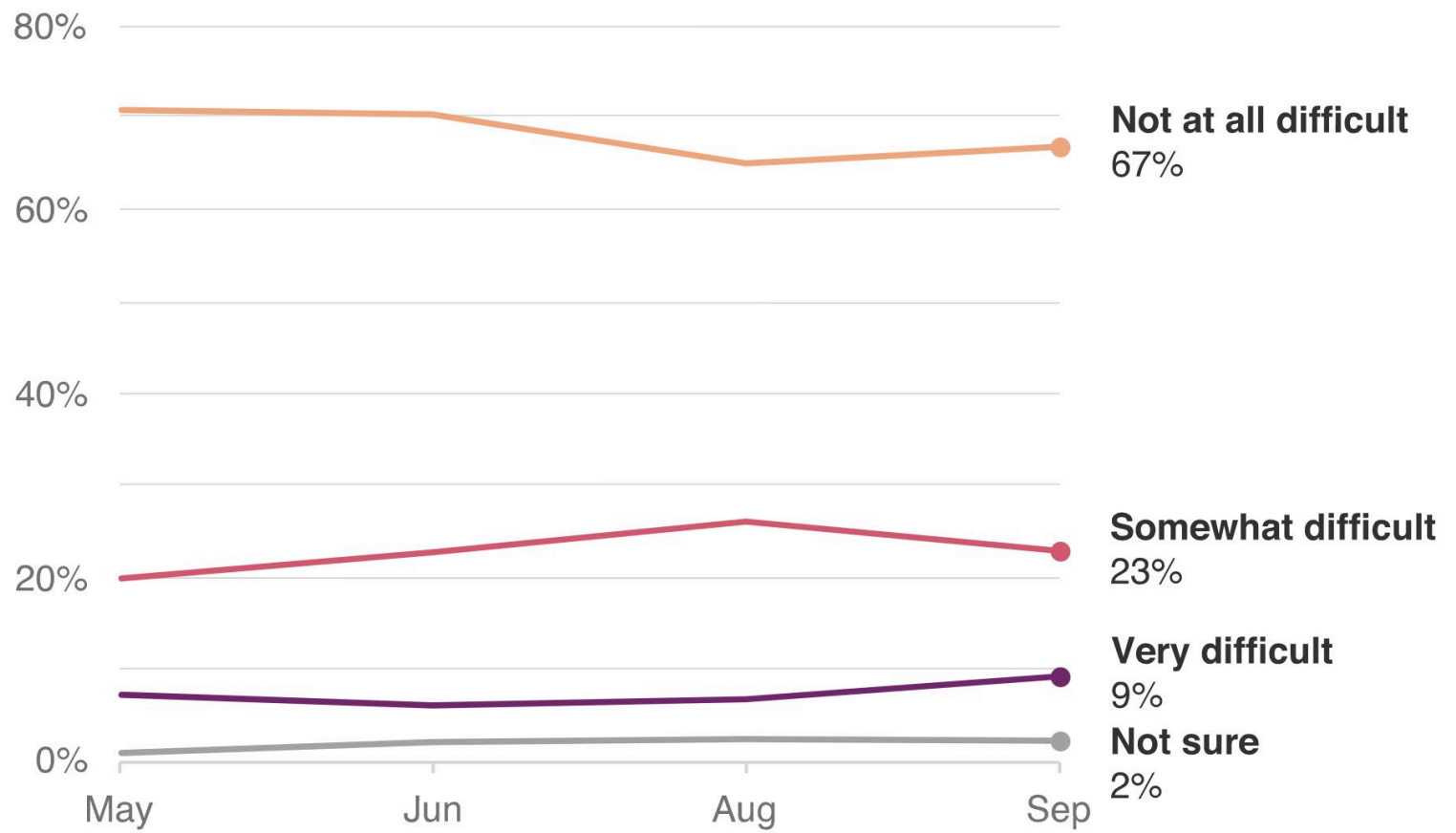
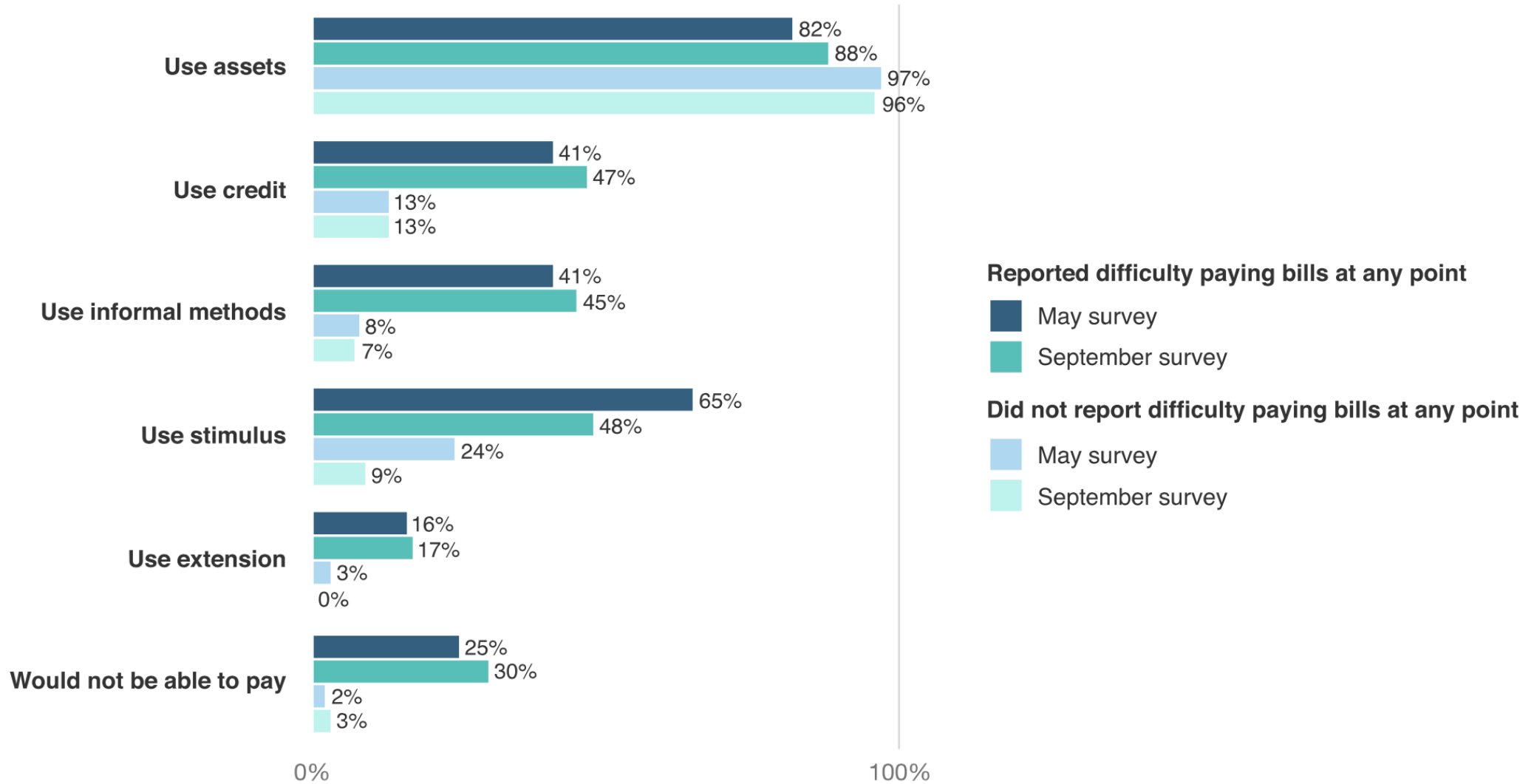


Figure 4. Methods of Paying Bills, by Difficulty Paying Bills



NOTES: The sample was limited to respondents who were working in February 2020 and who responded to both the May and September survey waves ($n = 1,095$). Sampling weights from the September wave are applied as discussed in Carman and Nataraj (2020).

METHODS OF PAYING BILLS

- Share of those reporting difficulties paying in September rising for several reasons
 - Had drawn down savings
 - Expiration of additional \$600 per week unemployment insurance benefit at end of July
- Strategies used to address financial difficulties shifted over time (Figure 4)
 - Suggesting that the situation has become **more dire** for many households
 - Using credit including payday loans, informal methods and requesting an extension on rent or mortgage (CARES Act)
 - 30% who reported difficulty paying bills at any point over the summer reported in Sept. they would not be able to pay

TRACK THE ECONOMIC IMPACTS OF COVID-19 IN REAL TIME— PROF. RAJ CHETTY ET AL

- On people, businesses, and communities across the United States.
 - anonymized data from private companies.
- Impacts by Race
 - Employment loss and mortality worse for Blacks
- High-wage workers experienced a “V-shaped” recession that lasted a few weeks, whereas low-wage workers experienced much larger job losses that persisted for several months.

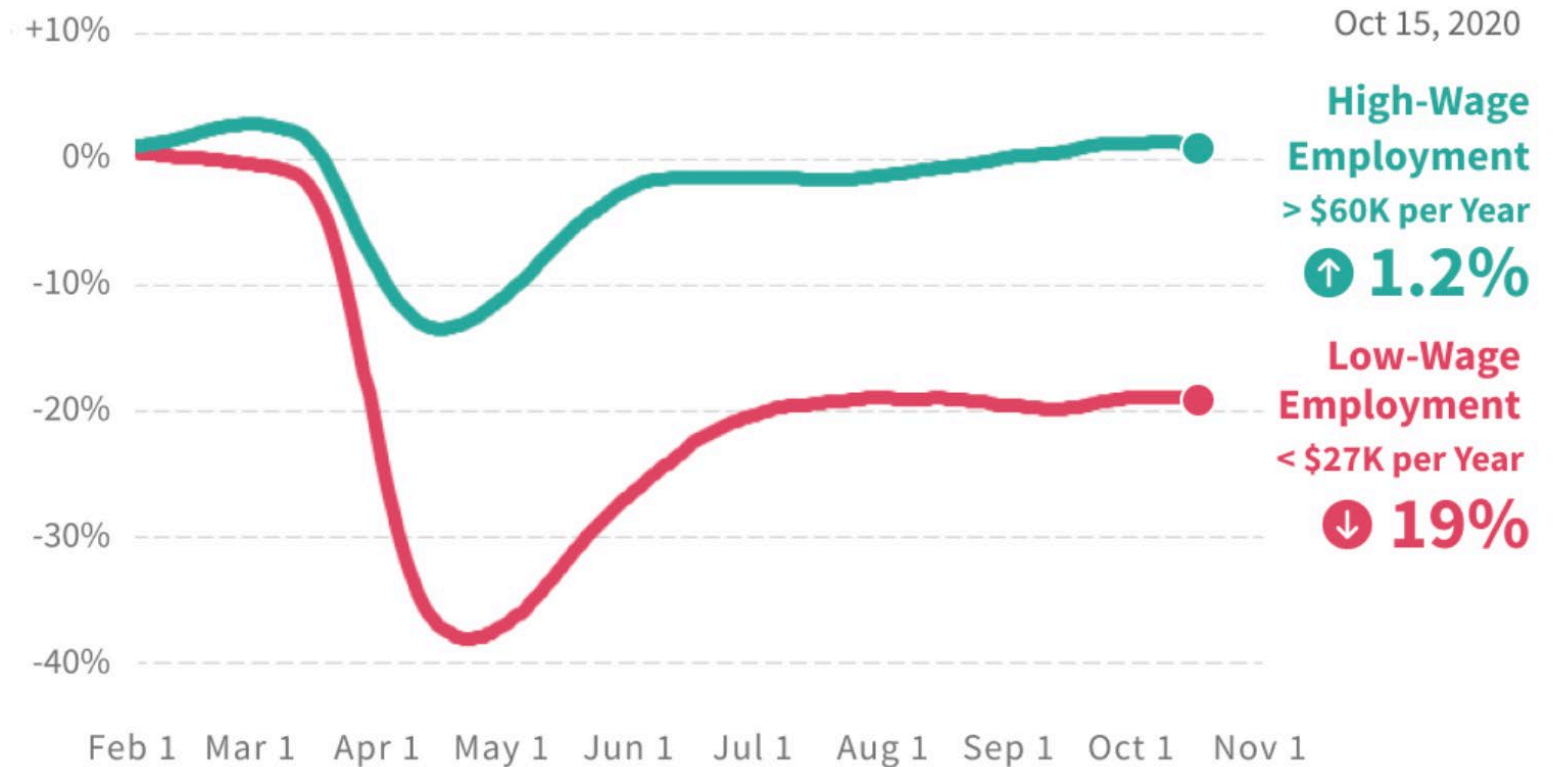
Source: tracktherecovery.org

HIGH-WAGE WORKERS VS. LOW-WAGE WORKERS

PROF. RAJ CHETTY,
TRACKTHERECOVERY.ORG

Recession has Nearly Ended for High-Wage Workers, but Job Losses Persist for Low-Wage Workers

While employment rates have rebounded to pre-COVID-19 levels for high-wage workers, they remain significantly lower for low-wage workers.



CONSUMER SPENDING DECLINE

DATA BY ZIP CODE COLLECTED BY PROF. RAJ CHETTY

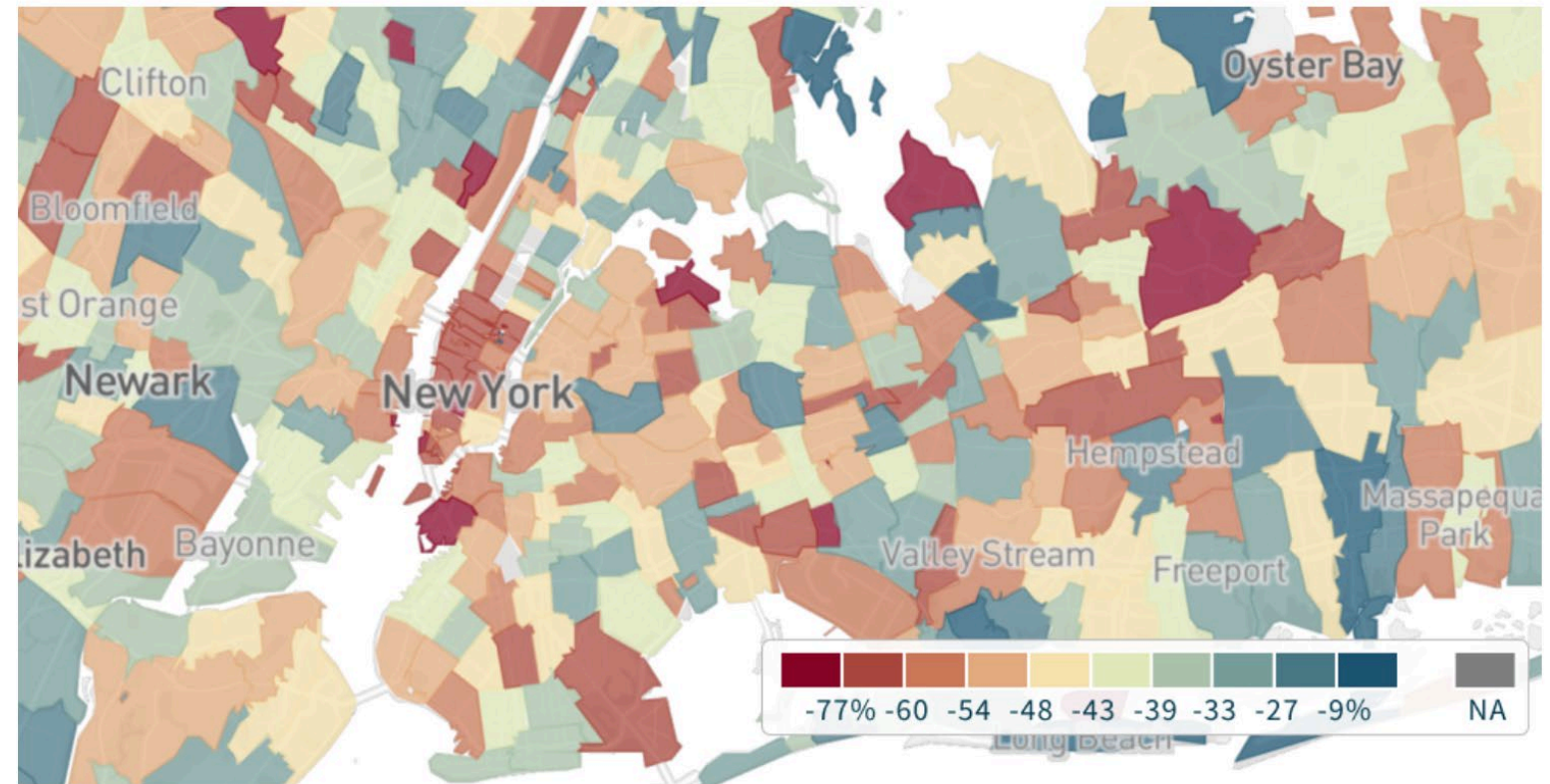
- As of July, high income spending hadn't improved too much
- In high income neighborhoods, small businesses lost >80% of their revenue
 - Leads to loss in employment in those businesses
 - 40% reduction in job postings
- State-ordered reopenings
 - Doesn't increase consumer spending
 - Driven by lack of confidence in health of individuals.

LOW INCOME EMPLOYMENT DOWN

Map of New York City shows low-income individuals' (who do not live there) employment down significantly in early June in the most affluent zip codes

Low-Income Employment Down in Affluent Areas

Declines in high-income spending led to significant employment losses among low-income individuals working in the most affluent ZIP codes in the country, as shown in the map below of employment declines in early June in New York City.



SOURCE: tracktherecovery.org

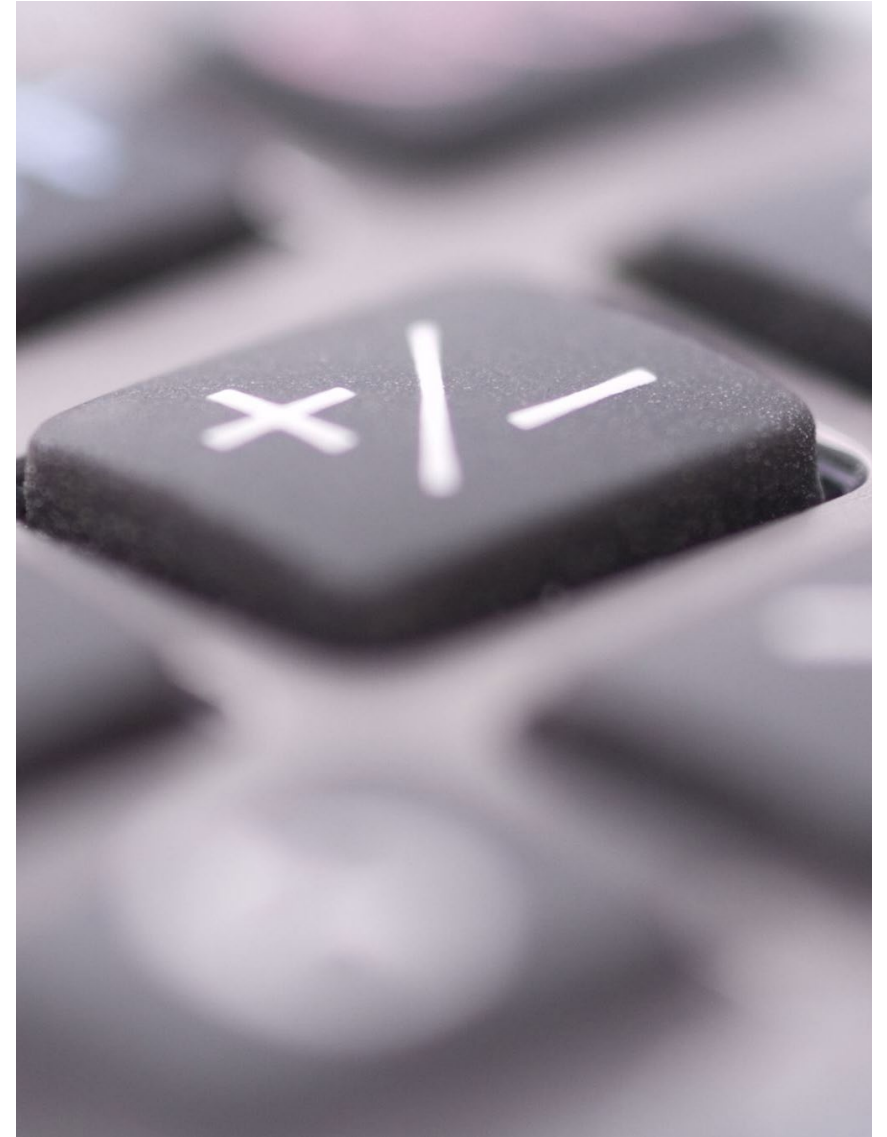
CONSUMER SPENDING RECOVERY

- Stimulus payments
 - No real recovery in in-person services
- Loans to Small Businesses
 - Paycheck Protection Program (PPP)
 - Loans increased employment by only 2%,
 - implying a cost of \$377,000 per job saved

EDUCATION

- Student Participation in On-line Math in the U.S. Compared to January 2020 ☐
 - Data from Zearn - a non-profit math curriculum publisher that combines in-person instruction with digital lessons
 - Graph (next slide) shows losses and recovery
 - -50% in March, -30% in April, -10% in September
 - -7.7% week ending January 17, 2021
 - -11.2% week ending January 24, 2021

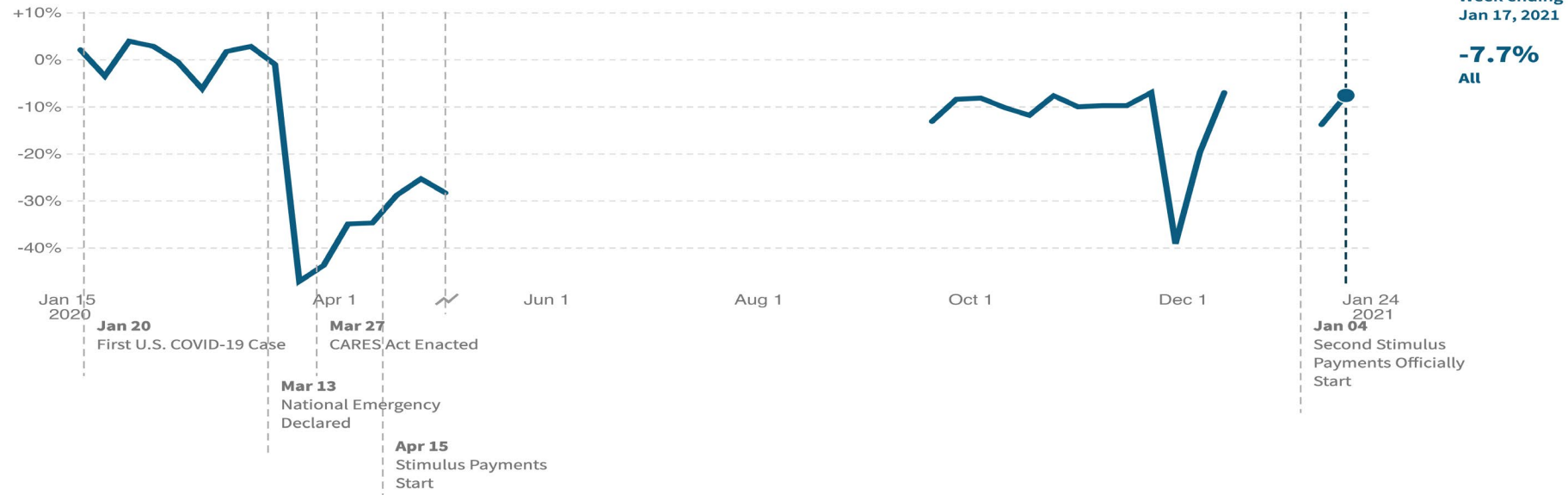
Source: tracktherecovery.org



ONLINE MATH PARTICIPATION IN U.S.

Percent Change in Student Participation*

In **the United States**, as of **January 17 2021**, total student participation in online math coursework **decreased** by **7.7%** compared to January 2020.



*Change in active students using an online math curriculum, indexed to Jan 6-Feb 2, 2020. This series is based on data from Zearn using online usage data from Zearn Math, a math program normally used in classrooms that combines hands-on instruction with digital lessons. Data is limited to schools using Zearn as a regular part of weekly teaching in the indexing period.

last updated: **January 19, 2021** next update expected: **January 26, 2021**

EDUCATIONAL PROGRESS

- Educational progress by income group
 - How many lessons completed in a week?
 - Bottom Income Quartile student participation in Math coursework Dropped by 60% in March 🗨
 - “Learning Loss” in children in low-income families
- Student Participation in Champaign, IL - graph 🗨 🗨 🗨 🗨

ONLINE MATH PARTICIPATION IN CHAMPAIGN IL

- Dropped precipitously
- Came only halfway back



EMPLOYMENT OF MOTHERS OF YOUNG CHILDREN



Labor force
participation

Hours of
work

Childcare

LABOR FORCE PARTICIPATION

- “She-cession” compared to the Great Recession
 - Part of the economy hit the hardest are those dominated by women
 - Restaurants, Retail businesses, Health care
 - State and local governments
- Women’s labor force participation has been falling since February
 - Pushed out of jobs they held
 - Prevented from seeking new ones
 - In Sept. 2020, “865,000 American women aged 20 and older left the workforce”, but only 216,000 men did (Natl. Women’s Law Center)

HOURS OF WORK

- Many women had to reduce their hours of work to cover childcare
 - If that didn't work out, they had to quit their jobs and drop out of the labor force.
 - One-third of women 25-44 in the labor market who are unemployed said the reason was childcare demands
- When women drop out of the labor force, returning is hard
 - Not only is there lost income for the time out but also lost work experience
 - Earnings are lower because of the missed investment in human capital through on-the-job training
 - Can have long-term effects limiting prospects and earnings over a lifetime
- Those who enter the job market during a recession, earn less over their lifetime

RACIAL DIFFERENCES

- Worse for Black and Hispanic women –jobless rate is around 9 percent
 - Compared to 6.5 percent for women overall as of October
 - 4.5 million fewer women employed than a year ago (could be unemployed or have dropped out)
 - Make up a disproportionate share of service workers
 - More likely to hold the essential jobs
 - Face greater risk of getting coronavirus
 - Less likely to think their employers are doing enough to protect them

SOURCE: New York Times, “Recession With a Difference: Women Face Special Burden,” November 17, 2020.

CHILDCARE

- Closing of childcare centers and shift to remote schooling
 - “Learning loss” in low-income children
- If parent(s) get COVID, but don’t have paid sick leave
 - D.C. has paid Family leave program for residents who don’t have paid sick leave!
 - New benefit began in July 2020
 - NYS also has such a program but also includes job protection
- NYT article on parents screaming into the NYT phone line (Feb. 4, 2021)

PARENTS AND CHILDREN

- Pandemic taking toll on parents' mental health
 - Data –small sample of service workers with young children in a large U.S. city (May-June)
 - Drops in income, increases in food insecurity, and uncertain access to public benefits
 - 48% were either depressed, anxious or both
 - 23% of children showed distressed behavior

Source: Ananat, Bellows, and Gassman-Pines, “Working Families’ Experiences of the Enduring COVID Crisis: Snapshot from Midsummer,” Policy Brief, Duke University, Center for Child and Family Policy, November 2020.

CONCLUSION

- Economy in a pandemic
 - Health and economy are intertwined
 - Women: She-cession
 - Long-term impact on women's position in the labor market
 - Black and Hispanic families fared worse as did low-income workers
- Poverty rate increased 2.4 percentage points during latter half of 2020 (Meyer & Sullivan, Jan. 25, 2021, *Chicago Tribune*, January 26, 2021)
 - An additional 8 mill. people nationwide in poverty
 - For Blacks, rate jumped 5.4 percentage points or by 2.4 million individuals

CONCLUSION (CONT)

- What policy needed now?
 - “I think that [policymakers] should spend money and they should direct the money to the places where the relief is the most necessary. What’s needed are monies to people who are about to be evicted, who are having gas shut off.”

Source: Prof. Austan D. Goolsbee, the Robert P. Gwinn Professor of Economics, Booth School, University of Chicago, Former Chair of Obama’s Council of Economic Advisors, January 13, 2021.

QUESTIONS?

- Thank you
- To track the recovery all over the U.S. in real time go to: tracktherecovery.org