

THE UNEQUAL IMPACT OF THE COVID-19 CRISIS ON HOUSEHOLDS' FINANCIAL STABILITY

WHO IS MORE LIKELY TO BE IMMEDIATELY HURT AND WHY

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While the scale of the impact of the pandemic will remain unknown for some time, one thing is certain: this public health crisis will directly, or indirectly, affect every individual across the globe. Although everyone is vulnerable to contracting the virus, the risk of developing severe or lethal illness is not equally distributed across the population. The elderly and those with certain preexisting health conditions are especially vulnerable. Similarly, the negative impact that this crisis will have on the finances of families and individuals will disproportionately hurt those who are already economically vulnerable.

The global recession of 2008 disproportionately affected low-wage or hourly workers, and low-income people—especially immigrants and refugees; people with disabilities; and Black, Latino, and Native American individuals. If this history serves as a guide, the economic crisis predicated by the COVID-19 pandemic will have similar results.

In a private meeting, Secretary of the Treasury Steve Mnuchin told a group of U.S. senators that the U.S. unemployment rate could reach as high as 20% as a result of the pandemic response¹. Federal Reserve Bank of St. Louis President James Bullard went a step further by suggesting that the unemployment rate could reach 30%, and added that the nation's gross domestic product could fall by 50% in the second quarter of 2020 alone—the direct result of business closures in response to the spread of COVID-19².

Even during economic boom periods, millions of Americans suffer income shortfalls that have an adverse impact on their household finances and stability. In the face of a global recession, millions more will be subject to financial catastrophe. This data brief provides an overview of the population that was most vulnerable even in the strong economy post-recovery—a population that will most immediately bear the brunt of the economic shock prompted by the COVID-19 crisis.

Macroeconomic slowdown, lost income, and mass layoffs are the first visible signs of COVID-19's impact.

Mandatory social distancing and stay-at-home policies, while necessary public health measures, also mean that hourly workers, local businesses, and individuals who work in personal services occupations will lose their sources of income entirely. Many states and municipalities across the United States have mandated closures for local businesses not identified as essential, with more likely to follow. With these mandates leading to an overall slowdown of the economy, many businesses that employ low-wage individuals will struggle to survive, and many—including restaurants, entertainment venues, small law firms, and gyms—have already begun to lay off workers³.

With millions of U.S. households already under extreme financial strain, a loss of earned income will leave households more vulnerable in the face of even modest expenses that are unanticipated. The 2008 recession transformed the national economy and the workforce for the worse by forcing millions into low-wage occupations. Millions have also been pushed out of traditional employment—with benefits and regular income—into variable gig economy or contract work, which has moved risk from employers onto employees by removing benefits and other employment protections, including unemployment eligibility in many cases. Further, many states have implemented onerous work requirements on both unemployment benefits and Medicaid access over the years since the 2008 recession—and over the last three years in particular—limiting people’s ability to access the social supports implemented to help them weather just the type of financial emergency our nation now faces.

Who is most vulnerable during an economic crisis?

1. Over 45 million households that don’t have enough cash on hand to weather an emergency

Prosperity Now Scorecard’s analysis of the latest Survey of Income and Program Participation data shows that 37% of U.S. households—over 45 million households total—are **liquid asset poor**. This means that households don’t have enough cash on hand, emergency savings, or retirement savings to subsist at the poverty level for three months without income. Without savings or regular income, household finances for most will be, at best, strained, and at worst, obliterated by an indefinite economic freeze and contraction. Furthermore, over half of all households (52.8%) don’t have enough saved in bank accounts or cash on hand to meet this emergency savings need without having to access or leverage their retirement savings—or falling short of meeting that need entirely.

Additional research by the Federal Reserve Board of Governors showed that 39% of U.S. adults don’t have enough cash or savings to cover a \$400 emergency expense. This figure has fallen from a 50% rate reported in 2013⁴. Of that 39%, 27% would be forced to borrow or sell something to cover that expense. The other 12% would not be able to cover that expense at all. But with an economic contraction imminent, rates will likely exceed their 2013 levels without direct intervention⁵. For further context: one in eight households **skipped regular doctor visits** due to excessive costs in 2018, according to the most recent Scorecard. Additionally, data from the Federal Reserve estimate that 10% of adults bypassed filling prescriptions, and 36% of adults with family income below \$40,000 skipped some type of medical treatment⁶. One in five adults—over 50 million people—had major and unexpected medical expenses they needed to cover in 2018. Among those adults, roughly 40% had unpaid debt related to those medical costs⁷.

2. Tens of millions of American workers who are employed in low-wage occupations, or are paid hourly wages

In 2018, 27.6 million people nationwide were employed in **low-wage occupations**, comprising roughly 17% of the civilian labor force⁸. These are mostly service-sector occupations, and include: restaurant staff; retail salespeople; childcare workers; teachers assistants; farmworkers; housekeepers; security guards; and home health aides; among hundreds of others across dozens of industries. These are also jobs that typically pay hourly, require in-person

LIQUID ASSET POVERTY

The percentage of households without sufficient liquid assets to replace income poverty level for three months in the absence of income.

In 2020, the liquid asset poverty threshold is **\$3,190** for an individual and **\$6,550** for a family of four.

NATIONAL RATE:

36.9%

Source: Prosperity Now Scorecard, 2020

attendance, and lack benefits like paid family or sick leave. The workers that hold these jobs—and their families—will be harmed most by a freeze on economic activity and the economic contraction that accompanies a recession.

According to estimates from the Bureau of Labor Statistics, nearly 82 million workers are paid hourly wages. Approximately 1.7 million of those workers earned the federal minimum wage of \$7.25/hr or less⁹. For a point of comparison, in 2009 and 2010—the immediate aftermath of the recession—the number of people earning at or below the federal minimum wage (4.36 million) nearly doubled from 2008's total (2.23 million). Totals didn't fall back down to their 2008 levels until 2016 (2.15 million)—six years after their peak¹⁰. Low-wage workers are also more likely to work in occupations that offer limited to no benefits. For example, according to the Bureau of Labor Statistics, only 24% of workers in the private sector in the lowest 10% wage category had access to employer-sponsored health care plans in 2019.¹¹ Similarly, only 30% of private sector workers in the lowest 10% wage segment had access to paid sick leave.¹²

Employment in Selected Low-Wage Occupations	
Combined food preparation and serving, including food prep only	4,490,780
Retail salespersons	4,448,120
Cashiers	3,635,550
Waiters and waitresses	2,582,410
Personal care aides	2,211,950
Maids and housekeeping cleaners	924,290
Home health aides	797,670
Packers and packagers (hand)	663,970
Bartenders	631,480
Childcare workers	564,630
Source: Prosperity Now analysis of Bureau of Labor Statistics 2018 Occupational Employment Statistics data.	

3. Racial and ethnic minorities, immigrants, and women, all of whom are more likely to work in low-wage occupations and have less in savings

Women: Women are considerably more likely than men to work in service-sector occupations—particularly food preparation, personal care, and cleaning and maintenance positions¹³. Women are also more likely to be paid at or below the minimum wage, with nearly 1.1 million women earning minimum wage as compared to 632,000 men¹⁴. As a result, the gender income and wealth divides continue to proliferate, leaving women more vulnerable to financial crises. Nearly three-fifths (58%) of households headed by a single woman are liquid asset poor, as compared to 48% of single-male headed households, and just 24% of married households¹⁵.

Black and Hispanic or Latino workers: Black men and women are roughly 50% more likely to be paid wages at or below the federal minimum wage than are workers of other racial or ethnic groups¹⁶. Black workers also have the lowest median weekly earnings of any native-born race or ethnicity (\$697), and are more likely than workers of all other racial or ethnic groups to be unemployed, irrespective of citizenship or nativity status¹⁷. Furthermore, Black and Latino households are two times as likely to be liquid asset poor as White households, according to the most recent Prosperity Now Scorecard [report](#). Over 58% of Black & Latino households are liquid asset poor, in comparison to 28% of White households. Finally, over half of married-couple Hispanic or Latino households and 71.5% of Hispanic or Latino households headed by single women are liquid asset poor—the highest rate among each respective group¹⁸.

Immigrants: Immigrants of all ethnicities are also considerably more likely to work in service sector occupations. Nearly a third (32.5%) of immigrant women in the labor force work in service occupations, as compared to 19% of native-born women and 13% of native-born men¹⁹. While immigrants earn, on average, 83% of what native-born workers earn, median weekly earnings are lowest for foreign-born workers of Hispanic or Latino ethnicity (\$621)²⁰. Among immigrants, non-citizens are considerably more likely to be liquid asset poor (58%) than are their citizen

counterparts (35.7%). Non-citizens without permanent residency status have even higher liquid asset poverty rates (63.8%), as do non-citizens who are limited English-speakers (82.7%)²¹.

4. Undocumented immigrants, who face additional challenges and are largely excluded from accessing social supports

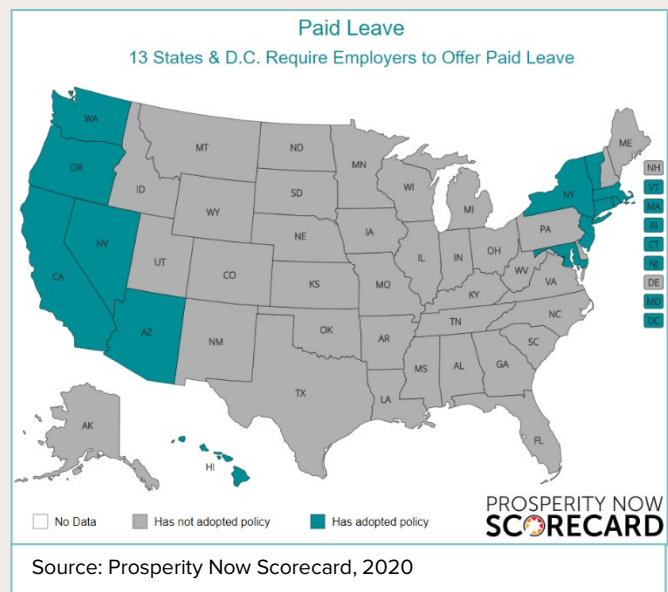
As of 2017, there were roughly 10.5 million undocumented immigrants in the country, including 7.6 million workers, constituting 4.6% of the labor force²². According to a 2017 analysis by USC's Center for the Study of Immigrant Integration, over 16.7 million people live in mixed-status households. These mixed-status households include nearly 6 million U.S. citizen children²³. Additionally, a 2016 Pew Research Center study estimated that undocumented workers comprised over a quarter of all farming jobs, 15% of construction jobs, and 9% of service jobs—reflecting their indispensable role in helping to drive the American economy forward²⁴.

But as the federal government passed its initial responses to the adverse economic effects of the COVID-19, undocumented immigrants were by and large written out of receiving the direct benefits from the legislation²⁵—despite immigrants being less likely to use public benefit programs. On average, this population receives a lower benefit amount than native-born citizens²⁶. Barring immigrants from accessing safety net or economic stimulus measures will most certainly have a negative impact on national health care and the economy. Also, excluding undocumented workers from protections has begun to force them to either take the government mandated public health precautions by staying at home and losing the income they rely on, or go to work anyway in order to feed their families and cover essential expenses such as rent—and thus put at risk their health and the health of all living in their communities²⁷.

5. Low-wage workers in certain occupations and states that fail to provide those workers with vital protections and benefits

Of the 46 states or equivalents (including Puerto Rico and the District of Columbia) that offer [minimum wage protections](#) for workers, only California and Minnesota offer protections that include people working in home and domestic services, food service, other tipped occupations, *and* the agricultural sector. Another 21 states, DC, and Puerto Rico offer protections for one or two low-wage worker classes. In the remaining 22 states, none of the above classes of low-wage workers are covered by the states' full minimum wage protections. This means that workers in these fields—again, predominantly women, Hispanic or Latino, immigrant, and Black laborers—are subject to pay scales below the federal minimum wage. Five states (AL, LA, MS, SC, TN) have no state minimum wage at all.

Just 13 states and the District of Columbia have passed legislation that requires employers to provide some form of [paid leave](#), or that offers state-sponsored paid leave²⁸. Just 43% of Black workers and 25% of Hispanic or Latino workers have access to paid parental leave. Likewise, 81% of Black mothers, 67% of Native American mothers, and 52% of Hispanic or Latina mothers are primary or key breadwinners for their households, while fewer than 40%



of workers have no legal protection from job loss if they take leave to take care of family or a personal health issue²⁹. Low-wage workers in home and domestic services and other tipped occupations—including those in the on-demand or gig economy, who are disproportionately Hispanic or Latino and Black—are often misclassified as “independent contractors”, often leaving them ineligible for [unemployment benefits](#)³⁰.

With millions of children nationwide at home following school closures, and many low-wage workers holding occupations deemed necessary and that require in-person attendance, many women are already being forced to choose between maintaining employment and ensuring that their children have supervision. Women are already disproportionately held responsible for caregiving of children and of older family members compared to men³¹. Over 43 million adults have identified as unpaid caregivers, spending an average 24 hours each week providing care for family members or others³². Many women of color who have chosen employment have done so at risk of losing their children or their freedom, due to discriminatory policing, incarceration, and child welfare practices³³.

In order to avert catastrophe, we must ensure that the income, home, and health of every person are protected and preserved.

The COVID-19 pandemic will not impact every U.S. household equally, but none will remain untouched by its effects. A record-breaking run on unemployment claims has already begun, signaling the onset of a recession. Households across the nation have seen their retirement account balances evaporate as the stock market continues to nosedive. But low- and moderate-income households, minority households, immigrants, and women remain most likely to see their financial lives implode as a result of the COVID-19 pandemic and economic shutdown.

In the short term, while social isolation measures remain in place, providing relief and assistance on debt payments, rents, and family care costs, including food and other household supplies, will alleviate much of the risk vulnerable people and households will incur. Additionally, establishing strong consumer protections will prevent the vulnerable and desperate from being taken advantage of either in the financial sector, or when accessing stimulus payments or tax preparation services. But broadening our social safety net to guarantee that people remain housed with regular and sufficient income and access to transportation, food, family care, and health care, and are protected from predatory financial services practices, in the face of the current and any future crisis, is paramount to mitigate the potential devastation that a protracted recession would wreak on household finances and the national economy.

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ABOUT PROSPERITY NOW

Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable practical solutions, in-depth research and proven policy solutions, all aimed at building wealth for those who need it most.

¹ Leigh Ann Caldwell and Rebecca Shabad (March 18, 2020). "Coronavirus: Trump administration warns of 20 percent unemployment rate", NBC News. Available at <https://www.nbcnews.com/politics/congress/coronavirus-trump-administration-warns-20-percent-unemployment-rate-n1162601>

² Steve Matthews (March 22, 2020). "U.S. jobless rate may soar to 30%, Fed's Bullard Says", Bloomberg. Available at <https://www.bloomberg.com/news/articles/2020-03-22/fed-s-bullard-says-u-s-jobless-rate-may-soar-to-30-in-2q>

³ Ben Casselman, Sapna Maheshwari, and David Yaffe-Bellany (March 17, 2020). "Layoffs are just starting, and the forecasts are bleak", New York Times. Available at <https://www.nytimes.com/2020/03/17/business/economy/coronavirus-layoffs.html>

⁴ Board of Governors of the Federal Reserve System (May 2019). "Report on the Economic Well-Being of U.S. Households in 2018". Washington DC: Federal Reserve Board of Governors. Available at <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Prosperity Now analysis of Occupational Employment Statistics, May 2018, Bureau of Labor Statistics. Low-wage occupations are here defined as occupations, within any industry, that offer a median annual wage at or below the federal poverty threshold for a family of four, which in 2018 was \$25,100.

⁹ Bureau of Labor Statistics (March 2019). "Characteristics of minimum wage workers, 2018". Available at <https://www.bls.gov/opub/reports/minimum-wage/2018/pdf/home.pdf>

¹⁰ Ibid.

¹¹ Bureau of Labor Statistics, U.S. Department of Labor, *The Economics Daily*, Lower-wage workers less likely than other workers to have medical care benefits in 2019, on the internet at: <https://www.bls.gov/opub/ted/2020/lower-wage-workers-less-likely-than-other-workers-to-have-medical-care-benefits-in-2019.htm> (visited April 05, 2020).

¹² National Compensation Survey: Employee Benefits in the United States, March 2019. Available at: <https://www.bls.gov/ncs/ebs/benefits/2019/employee-benefits-in-the-united-states-march-2019.pdf>

¹³ Bureau of Labor Statistics (May 2019). "Foreign-born workers: Labor force characteristics—2018". Available at <https://www.bls.gov/news.release/pdf/forbrn.pdf>

¹⁴ Bureau of Labor Statistics, "Characteristics of minimum wage workers, 2018"

¹⁵ Prosperity Now analysis of Survey of Income and Program Participation, 2014 Panel, Wave 4 data. U.S. Census Bureau, 2019.

¹⁶ Bureau of Labor Statistics, "Characteristics of minimum wage workers, 2018"

¹⁷ Bureau of Labor Statistics, "Foreign-born workers: Labor force characteristics—2018"

¹⁸ Prosperity Now analysis of Survey of Income and Program Participation, 2014 Panel, Wave 4 data. U.S. Census Bureau, 2019.

¹⁹ Bureau of Labor Statistics, "Foreign-born workers: Labor force characteristics—2018"

²⁰ Ibid.

²¹ Prosperity Now analysis of Survey of Income and Program Participation, 2014 Panel, Wave 4 data. U.S. Census Bureau, 2019.

²² Jynnah Radford (June 17, 2019). "Key findings about U.S. immigrants", Pew Research Center. Available at <https://www.pewresearch.org/fact-tank/2019/06/17/key-findings-about-u-s-immigrants/>.

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²⁵ David Bacon (April 1, 2020). "America's Farmworkers Await the Virus", Capital & Main. Available at <https://capitalandmain.com/americas-farmworkers-await-the-virus-0401>

²⁶ Alex Nowrasteh and Robert Orr (May 10, 2018). "Immigration and the Welfare State: Immigrant and Native Use Rates and Benefit Levels for Means-Tested Welfare and Entitlement Programs", Cato Institute. Available at <https://www.cato.org/publications/immigration-research-policy-brief/immigration-welfare-state-immigrant-native-use-rates>

²⁷ Bacon, April 2020.

²⁸ Prosperity Now Scorecard data, collected in 2019 in partnership with National Partnership for Women and Families.

²⁹ National Partnership for Women and Families (August 2018). "Paid Family and Medical Leave: A Racial Justice Issue – and Opportunity." Available at <http://www.nationalpartnership.org/our-work/resources/workplace/paid-leave/paid-family-and-medical-leave-racial-justice-issue-and-opportunity.pdf>

³⁰ Rebecca Smith (March 24, 2020). "Independent Contractors and COVID-19: Working Without Protections." Washington, DC: National Employment Law Project. Available at <https://www.nelp.org/publication/independent-contractors-covid-19-working-without-protections/>

³¹ Kali Grant, Cara Brumfield, Sophie Khan, Funke Aderonmu, & Indivar Dutta-Gupta (July 2019). "The Paid Family and Medical Leave Opportunity: What Research Tells Us About Designing a Paid Leave Program that Works for All." Washington DC: Georgetown Center on Poverty and Inequality's Economic Security and Opportunity Initiative. Available at http://www.georgetownpoverty.org/wp-content/uploads/2019/08/Georgetown_PLUS-PaidFamilyMedicalLeaveOpportunity-20190804.pdf.

³² Ibid.

³³ Child Welfare Information Gateway (2016). Racial disproportionality and disparity in child welfare. Washington, DC: U.S. Department of Health and Human Services, Children's Bureau. Available at https://www.childwelfare.gov/pubpdfs/racial_disproportionality.pdf