THE 2020 JOINT ECONOMIC COMMITTEE DEMOCRATIC RESPONSE

RESPONSE

OF THE

JOINT ECONOMIC COMMITTEE DEMOCRATS

ON THE

2020 ECONOMIC REPORT

OF THE PRESIDENT

DECEMBER 18, 2020
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Black workers have experienced higher unemployment as a result of the coronavirus recession. Large racial disparities in household income and poverty persist. The median net wealth of Black families is only one-eighth that of White families. The Black community faces significant physical and mental health risks from COVID-19.

Economic State of the Hispanic Community

The coronavirus recession has hit Hispanic Americans particularly hard. Hispanics face income and wealth inequality. Hispanics disproportionately lack access to affordable housing. Hispanic households are more likely to be unbanked than White households. Hispanic families are less likely to have health insurance than other Americans.

Achieving Economic Equity

Chapter 4: Missed Opportunities to Support Workers and Families

Paid Sick Leave

The United States is one of the only high-income countries without universal paid sick leave. Americans’ access to paid sick leave varies widely by industry, company size and income. Industries with the highest risk of exposure to the coronavirus are least likely to offer paid sick leave. Providing paid sick leave is cost-effective for many employers. The Administration undermined legislation to expand paid sick leave during the crisis.

Child Care

The pandemic has threatened the viability of child care providers. Affordable child care already was in short supply. Accessible and affordable child care increases female labor force participation. Child care provides long-term benefits to families and the economy. Further weakening the U.S. child care system would erode women’s economic progress. Congress passed funding for child care, but additional support stalled in the Senate.

Mental Health

Fear of the coronavirus, social isolation and acute economic pressure strain Americans’ mental health. Nearly half of young adults report having symptoms of mental illness. Hispanic and Black Americans report the highest rates of symptoms of mental illness. The pandemic will have a lasting impact on Americans’ mental health.

Conclusion

Endnotes
The U.S. Joint Economic Committee is required by statute to provide an annual written response to *The Economic Report of the President*, an assessment of the economy and presentation of the Administration’s economic policies by the Council of Economic Advisers (CEA).

However, soon after the *Report* was released in February, it was made irrelevant by the worst public health crisis in more than a century and the sharpest economic downturn since the Great Depression. Because of these exceptional circumstances, our analysis looks both at the President’s economic record in the years before publication of the *Report* and in the tragic months afterward.

Contrary to the President’s claims, we find that his economic record before the coronavirus was unspectacular. However, his economic legacy will be defined by his failure to use the power of the presidency to attempt to contain the coronavirus, instead fueling its spread and causing extensive and long-lasting economic damage. Because of these catastrophic mistakes, the President’s economic record will be one of the worst among all U.S. presidents.

We focus attention on the Trump Administration’s failure to use economic policy to mitigate the human suffering caused by the coronavirus recession. For months he blocked efforts to extend enhanced unemployment benefits, threatening to leave millions of American families without income just after Christmas. He refused to provide critical aid to state and local governments, despite compelling historical evidence that withholding it can prolong a recession. Instead, he called for a large payroll tax cut that would have provided the biggest benefit to the highest wage earners and delivered nothing to millions of Americans who had lost their jobs.

The pandemic has laid bare one of the greatest challenges of our time, the entrenched economic inequality dividing Americans by race and class. The working poor, immigrants, Black Americans, Hispanic Americans and Native Americans have been hit especially hard by the pandemic; they are more likely to contract COVID-19 or suffer extreme economic hardship as a result of the coronavirus recession. The President not only has failed to lessen these divisions, he has greatly worsened them and left many Americans scarred.
The pandemic also has made it impossible to ignore shortcomings in U.S. policies to support workers and families, but the President has refused even to recognize their importance. Inadequate paid sick leave during a pandemic forces Americans to go to work sick and risk infecting others, yet the President weakened sick leave provisions in coronavirus relief legislation. The closure of child care centers and decreased supply of affordable child care during the pandemic has forced parents, disproportionately women, to work less or drop out of the labor force, yet the President has taken no action to help them. And despite the fact that the share of Americans reporting symptoms of depressive and/or anxiety disorder has tripled in the past year, the President has ignored their illness and offered no plans to address it.

Our analysis starts at the beginning of the Trump Administration, when the President inherited a strong economy from Barack Obama, with steady GDP growth, unemployment at only 4.7 percent and 76 consecutive months of job growth. The President claimed that the economy was “in a rather dismal state” and that he had performed a historic turnaround — much as he had boasted that he was a self-made man while inheriting more than $400 million from his father.

In the years before the pandemic, the President’s two most important economic policies provided few benefits at a very high cost. The 2017 tax cuts did little to lift the economy beyond existing trends, but increased inequality and will leave almost $2 trillion in federal debt over 10 years. The trade war with China failed to deliver the promised “blue-collar boom” and instead cost hundreds of thousands of U.S. jobs. While the economy in the period before the pandemic remained strong, this was not due to the President’s policies but resulted from the tailwinds of the Obama expansion and the Federal Reserve’s far-sighted decision to hold interest rates low.

The President casts himself and his economic record as victims of the coronavirus pandemic and resulting recession. However, he deserves infinitely more blame for these crises than any other American. He ignored the advice of the nation’s top economists, who said the number one priority for the economy was to contain the coronavirus. He did exactly the opposite of what the nation’s leading public health experts recommended — restricting testing, mocking those who wore masks and calling on supporters to attend political rallies that became super-spreading events. These blunders substantially worsened the economic crisis, with the effective unemployment rate reaching almost 20 percent.

The President’s most tragic error was his effort to save his sinking economic record by pressuring governors to re-open their economies. Public health officials warned that prematurely lifting measures to contain the coronavirus would lead to an explosion of cases and deaths, while the overwhelming majority of top economists said that reopening too soon “will lead to greater total economic damage.” The President again ignored their advice, squandering the immense personal and economic sacrifices Americans had made during the lockdowns.
In recent months, leading economic indicators have improved from abysmal to mediocre. However, the economy is far weaker than the numbers suggest. For example, the unemployment rate in November was 6.7 percent — two percentage points higher than when the President took office. However, this does not reflect the fact that since February 5 million Americans have given up looking for work and have left the labor force. If they were counted as unemployed, the unemployment rate would be approximately three percentage points higher. Likewise, the recent spike in third quarter GDP growth is underwhelming because it follows a historic drop in the previous quarter — the economy remains substantially smaller than it was at the end of 2019.

President Trump leaves to his successor an economy that is in far worse condition than the one he inherited. He will be the first president in the modern era to preside over a net loss in jobs, with the economy losing approximately 3 million jobs since he was inaugurated. More than 700,000 Americans have filed for unemployment benefits every week since mid-March, and recent evidence suggests that the labor market may be worsening.

The most ominous sign for the economy is the tragic fact that the number of new U.S. coronavirus cases is exploding, largely a result of the President’s refusal to take responsibility for the federal coronavirus response and reckless actions he took that accelerated the spread of the virus. The number of U.S. deaths from COVID-19 already has exceeded the number of American lives lost in combat during World War II, and the numbers are climbing rapidly. As a result, the coronavirus pandemic now is a greater threat to the U.S. economy than in the spring, when it drove unemployment to the highest levels since the Great Depression.

This will be President Trump’s economic legacy.

DONALD S. BEYER, JR.
VICE CHAIR
CHAPTER 1: PRESIDENT TRUMP’S RECORD ON THE ECONOMY

THE FIRST THREE YEARS

President Trump inherited a strong economy

When President Trump entered office in January 2017, he benefited from an economy that had largely recovered from the Great Recession and was growing stronger. Under President Obama, the unemployment rate was cut more than in half, there was a record period of monthly job growth and economic growth accelerated in his second term. These trends likely would have continued regardless of who became president in 2017.

The unemployment rate reached 10.0 percent at its peak following the Great Recession, but then was cut more than in half under President Obama. The unemployment rate was only 4.7 percent when President Trump entered office, just slightly above the lowest rate immediately preceding the Great Recession (4.4 percent). In fact, President Trump began his term with an unusually low unemployment rate compared to previous administrations. Since 1953, only three presidents entered office with lower unemployment rates: George W. Bush (4.2 percent), Richard Nixon (3.4 percent) and Dwight Eisenhower (2.9 percent).

The economy was losing nearly 800,000 jobs per month when Barack Obama became president in January 2009. However, after passage of the American Recovery and Reinvestment Act (ARRA), rescue of the auto industry and extraordinary measures by the Federal Reserve, job growth recovered. The economy added over 15 million jobs during the final 76 months of the
Obama presidency — the longest streak of consecutive positive monthly job growth under any U.S. president on record.²² Average monthly job growth totaled 220,000 nonfarm jobs per month during President Obama’s final three years.²³

President Obama helped set the economy back on a path toward steady growth with real gross domestic product (GDP) growth improving to an annual average of 2.4 percent during his second term.²⁴ This followed a decline of 2.7 percent in real GDP in 2008, the year before President Obama entered office and a year in which three of the four quarters saw negative growth.²⁵

The policy responses of late 2008 and early 2009 reduced the severity and length of the financial crisis and Great Recession. Economists Alan Blinder and Mark Zandi have found that without these measures by the Obama Administration, Congress and the Federal Reserve, the economy would have contracted for more than three years, more than 17 million jobs would have been lost (twice the actual number), unemployment would have hit nearly 16 percent (rather than 10 percent) and real GDP would have declined nearly 14 percent (rather than 4 percent).²⁶

*The tax cuts did little to boost the economy, but increased inequality and the debt*

As Congress debated the “Tax Cuts and Jobs Act,” President Trump and congressional Republicans claimed that the tax cuts would spur business investment, create new jobs, lead to annual GDP growth of up to 6 percent and “pay for themselves.”²⁷ However, this single most important part of the President’s economic agenda failed to deliver what was promised, while saddling the country with more debt, increasing inequality and weakening the nation’s ability to recover from a future recession.

The predicted long-term increase in business investment never materialized, undermining claims that such investment would be a primary mechanism by which the tax cuts would increase economic growth and job creation. Business investment actually slowed to 2.9 percent in the eight quarters after the tax cuts went into effect after averaging 4.0 percent in the prior eight quarters.²⁸

In 2018, real GDP growth increased slightly to 3.0 percent, before falling to 2.2 percent in 2019 — a far cry from the promised 6 percent.²⁹ Economic growth averaged the same in the eight quarters after the tax cuts were enacted as in the eight quarters before they went into effect (2.4 percent). Much of the growth during this period was driven by government spending rather than by business investment or consumption.³⁰

President Trump’s televised claim that the tax cuts would be “one of the great Christmas gifts to middle-income people” proved to be deeply misleading.³¹ Analysis reveals that the tax cuts heavily favored the very wealthy, with the top 1 percent of households — those with average incomes of almost $2 million — projected to receive an average tax break of nearly $50,000 in 2020. This is approximately 64 times the average tax cut of the middle 20 percent of households, who were
projected to receive an average tax cut of $780. The poorest 20 percent were projected to receive an average tax cut of just $60.32

The claim that the tax cuts would “pay for themselves” also turned out not to be true. It had been argued that the tax cuts would create such an economic boom that the increase in federal tax revenue would more than offset the cost of the tax cuts.33 However, CBO estimated that the tax cuts will add $1.9 trillion to the national debt, even after accounting for the boost to economic activity.34

**The trade war with China harmed the U.S. economy**

President Trump’s second most important economic policy, the trade war with China, caused extensive American economic casualties. He claimed that the trade war would help create American jobs.35 He also claimed that it would help American farmers, reduce the trade deficit and that China would pay the entire cost.36 None of these claims proved to be true.

The trade war resulted in hundreds of thousands of lost U.S. jobs. A study by Moody’s Analytics found that by September 2019 it had cost the U.S. economy nearly 300,000 jobs.37 Many firms did move production out of China due to the tariffs, but those jobs did not return to the United States, with firms moving them to other countries, particularly in Southeast Asia, instead.38

Farmers have suffered as a result of the trade war. Bankruptcy filings for small- and medium-sized farms rose by 20 percent in 2019.39 As a result, in 2020 the Administration has been forced to give out a record $46 billion in subsidies to farmers in part to compensate for the damage caused by the trade war.40

Americans — not the Chinese — have paid more as a result of the tariffs.41 Economists from the Federal Reserve Bank of New York, Columbia University and Princeton University demonstrated that U.S. businesses and consumers have borne almost the entire cost of tariffs, with “approximately 100 percent” of import taxes passed on to American buyers.42 Another study from researchers at the Federal Reserve Bank of Boston, Harvard University and the University of Chicago came to the same conclusion.43 Separate analysis found that the tariffs cost the average family $460 over a year.44

Finally, the trade deficit has increased over the course of the trade war. By August 2020, the trade deficit for goods and services had reached its highest level since 2008.45 The economic turbulence caused by the President’s trade war forced the Federal Reserve to take action in 2019, cutting interest rates three times in order to stimulate the economy.46
The promised “blue-collar boom” did not materialize

President Trump claimed that his policies have led to a “blue-collar boom,” saying that manufacturing job growth has skyrocketed, thousands of new factories have sprung up and hundreds of thousands of factory jobs have returned from overseas. All of these claims are untrue, and manufacturing fell into a slump even before the coronavirus. In 2019, manufacturing was in a technical recession as the Federal Reserve reported that manufacturing production contracted in three of the four quarters. Over the year, factory production shrank by 1.3 percent.

![Manufacturing Production Chart](chart.png)

Job growth in the manufacturing sector had slowed dramatically before the pandemic. It accelerated somewhat in 2018, with 264,000 jobs created over the year. However, it slowed dramatically to only 58,000 jobs created in 2019. The President’s policies and his trade wars with China and other countries have taken a particular toll on the sector, as has the coronavirus. Since February, almost 600,000 manufacturing jobs have been lost — nearly 5 percent of the prepandemic manufacturing workforce.

Few manufacturing jobs have returned to the United States under President Trump. Despite the President’s claims that he would bring millions of jobs back, companies announced plans to relocate just 145,000 factory jobs to the United States in the first two years of the Trump Administration. Most new “manufacturing establishments” added during the Trump presidency employ five or fewer people. Many of them are not even factories at all, as the Bureau of Labor Statistics uses an expansive definition of a factory that includes any establishment where materials are transformed into new products, which includes even bakeries and tailors.
President Trump’s economic record was unspectacular even before the coronavirus

Many of the economic trends established under President Obama continued under President Trump, while others slowed. However, in many respects, President Trump’s economic record failed to keep pace with that of his predecessor.

After President Trump entered office, the unemployment rate continued to trend downward, declining another 1.2 percentage points and reaching 3.5 percent in February 2020. This followed a decrease of 5.3 percentage points under President Obama.\(^{53}\)

President Trump has frequently claimed credit for launching “an unprecedented economic boom” and creating millions of jobs, yet nearly a decade (a record 113 consecutive months) of job growth ended during his presidency.\(^ {54}\) The majority of this record period of monthly job growth occurred under President Obama (76 months).\(^ {55}\) Average job growth during President Trump’s first three years of 183,000 nonfarm jobs per month also lagged behind job growth during President Obama’s last three years, which totaled 220,000 nonfarm jobs per month.\(^ {56}\)

Average real GDP growth during President Trump’s first three years was 2.5 percent. This was in line with the 2.4 percent average of President Obama’s second term.\(^ {57}\) The economy grew by 3 percent in 2018, which was the best year under President Trump, before dropping to 2.2 percent growth in 2019.\(^ {58}\)

**The Coronavirus Crisis**

President Trump’s record will be defined by his refusal to use the vast power of the U.S. presidency to attempt to contain the coronavirus and by the actions he took that likely worsened its spread. Researchers have found that there could have been 130,000 to 210,000 fewer American deaths by the end of October if the federal response to the coronavirus had been faster and more effective.\(^ {59}\) The President’s failure to fight the coronavirus also caused deep economic damage that likely will be felt for at least several years.

President Trump ignored the advice of public health experts and economists

The President not only ignored the advice of public health experts; he contradicted it, even telling Americans that the coronavirus is almost entirely harmless.\(^ {60}\) Experts said we needed more tests; he said that “if we stop testing right now, we’d have very few cases.”\(^ {61}\) They called for widespread use of masks; he refused to wear one for months and mocked those who did.\(^ {62}\) They said to follow scientific evidence; he promoted the use of unproven, risky treatments.\(^ {63}\) They stressed the critical importance of social distancing; he called on supporters to attend large political rallies.\(^ {64}\)

In March, prominent former officials from Democratic and Republican administrations, including two former Chairs of the Federal Reserve, four former Secretaries of the Treasury and five former
Chairs of the Council of Economic Advisers, released a letter stating that the number one priority for the economy was to stop the spread of the virus. The President repeatedly ignored that advice and instead presented a false choice between implementing the public health measures needed to save lives and rescuing the economy, tweeting in March that “we cannot let the cure be worse than the problem itself.”

*The President opposed simple and effective public health measures such as wearing masks*

To combat the spread of the coronavirus, in July the Centers for Disease Control and Prevention (CDC) began recommending that all individuals wear masks in public settings. Because coronavirus spreads mostly through respiratory droplets released via breathing, talking and coughing, masks are highly effective in decreasing its spread, with cloth masks alone blocking over 80 percent of all droplets when worn correctly. However, the President has continually failed to enforce mask usage, dismissing suggestions for a national mask mandate even after Dr. Anthony Fauci, the nation’s top infectious disease expert, stated that the United States needs one to get the virus under control. Instead, Trump has actively ignored calls for mask usage, holding mask-optional, packed campaign rallies and hosting crowded White House events, one of which likely led to the President himself contracting the virus.

The President’s refusal to urge mask use has already caused dire human and economic consequences. One study found that if the United States had mandated mask usage just for employees of public-facing businesses starting April 1, 2020, the number of deaths from COVID by June 1 could have been 40 percent lower. A recent study of Germany’s coronavirus response found that mandatory mask usage reduced infections by an average of 47 percent within just 20 days of enacting the requirement, with one area seeing reductions of up to 75 percent. Similarly, a report from the Institute of Health Metrics and Evaluation found that if 95 percent of Americans wore masks in public, over 100,000 lives could be saved by the end of February 2021.

Masks also could play a huge role in strengthening the economy by reducing the need for lockdowns or easing restrictions. In a study conducted by Goldman Sachs, the lockdowns that could be avoided by a national mask mandate were found to prevent GDP losses of up to 5 percent, an amount equivalent to $1 trillion. Additionally, mask usage could provide a boost to the economy by easing concerns individuals may have about resuming economic activity such as shopping or eating meals outside of the home once it is safe to do so. By limiting the risks that accompany some forms of commercial activity, masks can play a critical role in facilitating a smoother return to more normal economic conditions.
The economy suffered one of the sharpest and deepest declines in U.S. history

In the spring of 2020, as the President refused to acknowledge the danger posed by the coronavirus and it grew out of control, states and municipalities had no choice but to implement strict public health measures that effectively shut down entire sectors of their economies, while many people stopped going to stores, restaurants and other businesses for fear of exposure to the coronavirus — causing the sharpest and one of the deepest economic declines in U.S. history.\textsuperscript{77}

In just two months, the U.S. economy lost more than 22 million jobs and by April the official unemployment rate had skyrocketed to 14.7 percent, not counting up to 5 percent who had accidentally been misclassified due to difficulties conducting surveys during the pandemic.\textsuperscript{78} The economy also experienced by far the worst contraction on record, with GDP falling 9.0 percent in the second quarter (31.4 percent on an annualized basis).\textsuperscript{79}

Workers filed over 1 million regular initial unemployment claims for 19 consecutive weeks beginning in late March. This peaked at over 6.2 million in the week ending April 4 — almost 6.5 times the number filed during the worst week of the Great Recession.\textsuperscript{80} Additionally, over 1 million workers filed claims for Pandemic Unemployment Assistance — the newly created program for gig workers, the self-employed and others not eligible for regular unemployment insurance — during three different weeks in May, with a peak of over 1.3 million in the week ending May 23.\textsuperscript{81}
President Trump pushed to reopen the economy too soon, risking a resurgence of the virus

A March 2020 survey of 80 of the nation’s leading economists found that 8 of 10 agreed that reopening the economy too soon “will lead to greater total economic damage.” Yet the President ignored their advice and pressured governors to relax the public health measures essential to containing the virus. “Liberate Michigan,” he tweeted in April. “Will some people be affected badly,” he asked rhetorically — “yes, but we have to get our country open and we have to get it open soon.”

President Trump has consistently claimed that the root cause of the economic crisis is social distancing measures and states closing down parts of their economies. However, various studies have shown that these claims are false — in most cases declines in consumer spending, the number of open businesses and employment preceded official state shutdowns at the beginning of the pandemic. Research also suggests that people will not resume their normal consumer habits until they are no longer afraid of becoming infected. The virus itself — not public health interventions and social distancing measures — is what is depressing the economy.

The President partially achieved his short-run objective to improve economic indicators before the election, when the October jobs report found the unemployment rate had dropped to 6.9 percent, not including the more than 4 million Americans who had given up looking for work since February. If these workers as well as those who were misclassified had been included, the unemployment rate would have been much higher at 9.3 percent. The President’s gamble also appeared to pay off when third quarter GDP growth hit a record high — but only because it partially rebounded from a record low. However, the dire warnings of public health experts proved to be prescient, with total coronavirus cases in the United States surging past 16 million and deaths past 300,000 by mid-December.

The economic outlook is worse than it appears

Although the economy has rebounded in some ways beginning in May, the economy is still down millions of jobs, the unemployment rate is still elevated, a steady stream of workers continue to file unemployment claims each week and economic growth is slower. Real GDP in the third quarter of 2020 increased a record 7.4 percent (33.1 percent at an annualized rate). However, this was due to the fact that GDP had suffered a record decrease in the second quarter, plummeting 9 percent (31.4 percent at an annualized rate). The economy is still 3.5 percent smaller than it was at the end of 2019 — slightly less than the 4 percent decline in GDP over the entire Great Recession — and GDP growth is expected to slow significantly in the fourth quarter.

In November, there were almost 10 million fewer jobs than there were in February. The unemployment rate in November dropped to 6.7 percent — far below the 14.7 percent reached in
April but still almost double the pre-pandemic unemployment rate of 3.5 percent in February.\textsuperscript{95} However, this does not account for the fact that since February 5 million unemployed workers had given up looking for a job.\textsuperscript{96} Federal Reserve Chair Jerome Powell said in September that if those who had left the labor force since February were counted as unemployed, the unemployment rate probably would be 3 percentage points higher.\textsuperscript{97}

Unemployment has become longer and more permanent. The number of long-term unemployed workers — those who have been jobless for 27 weeks or more — has swelled to almost 4 million, more than 3.5 times the number in February.\textsuperscript{98} The number of permanent job losers has increased from 2.4 million in February to 3.7 million in November, while the number of workers on temporary layoff has trended the opposite direction.\textsuperscript{99} This reinforces the fact that much of the continued job loss is not a temporary phenomenon, and re-employing workers will be much more difficult moving forward than simply recalling them from temporary layoff. The longer workers go without a job, the more damaging it is to their household’s financial situation and future employment prospects.\textsuperscript{100}

Over 19 million workers received unemployment benefits in the week ending Nov. 21.\textsuperscript{101} Over 700,000 workers have continued to file regular initial unemployment claims every week for the past 38 consecutive weeks, with a peak of over 6.2 million in the week ending April 4.\textsuperscript{102} Three times the number in a “normal” economy filed for unemployment during the week ending Dec. 5.\textsuperscript{103}
At least 288,000 workers have filed claims for Pandemic Unemployment Assistance — the newly created program for independent contractors, the self-employed and others not eligible for regular unemployment insurance — every week since mid-April, with a peak of over 1.3 million in the week ending May 23.\textsuperscript{104} Over 8.5 million Americans received PUA benefits in the week ending Nov. 21.\textsuperscript{105} Millions of workers also have exhausted regular state unemployment benefits and are receiving Pandemic Emergency Unemployment Compensation (PEUC), an additional 13 weeks of unemployment benefits beyond the normal 26 weeks provided by most states. Over 4.5 million Americans received PEUC benefits in the week ending Nov. 21.\textsuperscript{106}

\textit{Americans are under severe pressure}

Millions of Americans are under severe pressure as they are struggling to afford their bills, make their rent and mortgage payments and put enough food on the table for their families. According to the most recent week of the Census Bureau’s Household Pulse Survey, over 82 million adults have had difficulty paying for usual household expenses during the pandemic, and over 25 million sometimes or often did not have enough food in the last week.\textsuperscript{107} Another nearly 6 million adults — one-third of the almost 17 million adults in households that are behind on rent or mortgage payments — say they are likely to face eviction or foreclosure in the next two months.\textsuperscript{108} Eight million Americans have slipped into poverty since May, according to researchers at Columbia University.\textsuperscript{109} The share of Americans needing government assistance has skyrocketed. Nearly one-fourth of adults report that their family has received assistance from unemployment insurance, the Supplemental Nutrition Assistance Program (SNAP) or charitable organizations since the start of the pandemic.\textsuperscript{110}
The President’s failure to acknowledge the threat of the coronavirus and his refusal to use the power of the presidency to fight it will weigh down the U.S. economy for years to come. Federal Reserve Chairman Jerome Powell and others repeatedly have said that the economy will not fully recover until the coronavirus is contained and Americans believe that it is safe to resume normal economic activity. In order to stimulate the weak economy, the Federal Reserve took the extraordinary step of signaling that it will keep interest rates at near zero for three more years.
CHAPTER 2: THE ADMINISTRATION’S FAILURE TO SUPPORT RECOVERY

The failure to contain the initial coronavirus outbreak in the United States in the spring of 2020 led to a rapid and unprecedented drop in economic activity and employment. The country saw 6.2 million workers file for unemployment insurance in just one week in April, which was 6.5 times larger than the worst week of the Great Recession and almost 30 times higher than the February average. This presented an enormous threat to millions of workers and their families, small businesses in every community and the broader economy. Economist Jason Furman, former Chair of the Council of Economic Advisers during the Obama Administration, warned in March that “this feels much worse than 2008. Lehman Brothers was quite bad, but it was the culmination of a sequence of things that had happened over 14 months. This hit all at once.”

Congress and the Federal Reserve acted quickly and powerfully to address this crisis, containing the economic fallout and protecting families. In particular, enhanced unemployment benefits, direct payments and support for small businesses helped prevent an enormous drop in Americans’ disposable incomes and supported consumer spending. However, when that support began to run out at the end of summer, the Administration and Senate Republicans floated widely criticized ideas like a payroll tax cut and a so-called back-to-work bonus. Moreover, they have fiercely opposed additional aid to state and local governments to prevent job losses that could significantly slow the recovery. The end result is that Americans are headed into a winter with skyrocketing caseloads and elevated unemployment without the fiscal support needed to get them through to a vaccine.

Congress reacted swiftly and powerfully to the coronavirus crisis

Congress acted decisively in March to respond to the public health and economic threats posed by COVID. It passed legislation at the beginning of the month focused on public health and research and a few weeks later passed the more comprehensive Families First Coronavirus Response Act (FFCRA).

FFCRA provided two weeks of job-protected paid sick leave to 87 million workers to recover from COVID, quarantine, take care of a loved one or provide child care and an additional 10 weeks for workers providing child care. It also provided tax credits to small- and medium-sized businesses to cover the cost of providing that paid leave. It made important changes to food assistance programs including enacting a “Pandemic EBT” program to help low-income families with children replace the meals they received from federally funded school meal programs before COVID forced schools to close. One study found that Pandemic EBT lifted at least 2.7-3.9 million children out of hunger. FFCRA also made important changes to unemployment insurance
benefits appropriate for a pandemic such as waiving requirements that unemployment insurance (UI) recipients search for work and wait a week before receiving benefits.\textsuperscript{120}

Congress passed even more far-reaching legislation, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, at the end of March. Most significantly, the CARES Act supercharged the unemployment insurance system to support workers who lost their jobs or were furloughed by increasing weekly benefits by $600, increasing the number of weeks someone can receive regular unemployment benefits by 13 weeks and enacting a Pandemic Unemployment Assistance program to provide income support to workers who do not qualify for regular unemployment insurance, such as independent contractors, workers with insufficient earnings history or workers who exhaust their regular UI benefits in states that offer less than the normal 26 weeks of benefits.\textsuperscript{121}

The CARES Act included a host of additional important provisions such as direct payments that could total $3,400 for a family of four, a Paycheck Protection Program (PPP) that delivered forgivable loans to small businesses struggling with falling revenue, a $500 billion stabilization fund for firms, states and cities, an Employee Retention Tax Credit to help firms keep workers on their payroll, moratoria on evictions and foreclosures and billions in public health investments.\textsuperscript{122} It also included a modest $150 billion in aid to state, local, territorial and tribal governments to respond to COVID.\textsuperscript{123}

The CARES Act was an enormous success at supporting Americans when the realistic unemployment rate reached around 20 percent.\textsuperscript{124} In April, wages and salaries fell 8 percent, but disposable income actually rose almost 13 percent — mostly because of the combination of direct payments and enhanced unemployment benefits.\textsuperscript{125} The collapse of the low-wage labor market in March and April would normally have caused the poverty rate to surge, but the poverty rate actually fell because of benefits provided by the CARES Act, according to a study by the Columbia University Center on Poverty and Inequality.\textsuperscript{126} Consumption fell precipitously in both March and April — likely because the virus prevented many people from going out to eat and traveling — but the collapse would have been even larger without the fiscal support in the CARES Act.\textsuperscript{127}

The Federal Reserve took extraordinary steps to protect the economy

The Federal Reserve’s response under Chair Jerome Powell was similarly forceful. Within a few weeks in March, the Federal Reserve deployed all of its tools from the Great Recession by reducing interest rates to zero, purchasing billions of dollars in Treasurys and mortgage-backed securities and reopening lending facilities for commercial paper, money markets and more.\textsuperscript{128} The Fed even went beyond its Great Recession activities to keep credit flowing by purchasing corporate bonds for the first time including those of firms whose debt had been downgraded from investment grade.\textsuperscript{129} These actions supported employment and growth while preventing insolvencies from permanently reducing the economy’s productive capacity.
Powell summed up his commitment to using the power of the Federal Reserve to prevent the COVID recession from becoming a depression by saying “the Fed is strongly committed to using our tools to do whatever we can for as long as it takes to provide some relief and some stability now, to support the recovery when it comes, and to try to avoid longer-run damage to people’s lives through long states of unemployment or to their businesses through unnecessary insolvencies.”

The Trump Administration and Senate Republicans failed to extend needed economic support

Despite its success at supporting the economy in the spring and summer, the CARES Act was never intended to be the end of the economic response to the coronavirus. Critical support such as the $600 in additional unemployment benefits for millions of workers expired as early as July, while other support such as PPP and direct payments would require another round, especially given the failure of the Trump Administration to control the virus. House Democrats worked immediately on providing additional support and passed the Heroes Act in May, which would have extended critical support from CARES and provided additional support such as an increase in SNAP benefits and $10,000 in student debt forgiveness.

Extending the $600 in additional unemployment benefits was critical from a public health, humanitarian and economic perspective. It was intended to ensure that laid off and furloughed workers did not have to choose between complying with public health measures and financial devastation; in effect, it would help slow the spread of the virus. The supplement was set at $600 per week, so total unemployment benefits would replace 100 percent of wage income for the average worker. Economists would normally worry that replacing all of a worker’s wages would discourage them from finding employment, but that logic shifts in a pandemic when entire industries are shut down and when not working may be the best choice for workers and society since it could slow the virus’s spread. Moreover, forcing a large section of the workforce to live on a mere fraction of their previous earnings would reduce aggregate demand.

The Congressional Budget Office, for example, estimated that continuing the $600 for the remainder of 2020 would have accelerated the recovery of GDP.

The Administration and Senate Republicans refused to work to negotiate another package until a few weeks before the expiration of the $600 in enhanced unemployment benefits. During that time, the Administration continued to push ineffective proposals like a payroll tax cut, which would provide nothing to unemployed Americans and deliver large tax cuts to wealthy Americans who were unlikely to spend it. One version of the payroll tax cut would have provided a tax cut averaging $132,350 to the top one percent (making over $643,700) compared to a tax cut of just $650 to the bottom 20 percent (making under $24,200). Moreover, the aid from a payroll tax
cut would come out gradually throughout the year instead of immediately, blunting its effectiveness at maintaining aggregate demand.\textsuperscript{138}

Similarly, the Administration floated a “Return-to-Work” bonus as a replacement for the $600 in enhanced unemployment in the summer.\textsuperscript{139} The bonus would have provided an additional incentive for Americans to return to work at a time when most public health officials warned many normal economic activities were not safe. The Administration’s proposal stemmed from the President’s false claims that the pandemic was under control, claims that have become even more risible as COVID cases and deaths have greatly increased since the summer.\textsuperscript{140} The return to work bonus would have forced workers to choose between financial ruin and returning to jobs that put them and their families at risk. Moreover, it would have shifted economic support from those who need it most — unemployed workers who generally receive insufficient unemployment benefits — to workers with jobs.\textsuperscript{141}

Without a serious Republican effort to negotiate a deal, the $600 in additional unemployment benefits expired at the end of July. Republicans refused to renew the $600 and resorted to several poorly conceived ideas instead. Senate Republicans, for example, drafted a bill that would initially reduce the supplement to just $200 and eventually limit a worker’s UI benefit to 70 percent of their earnings. The $200 supplement would have left many workers living on a fraction of their previous earnings despite a frozen labor market and deteriorating public health situation.\textsuperscript{142} Worse, the shift to replacement rates was called unworkable by multiple UI policy experts. Michele Evermore of the National Employment Law Project criticized the proposal, saying “They’re going to spend four months programming in a benefit that expires in a month? I think it’s not a serious proposal.”\textsuperscript{143}

Similarly, the Trump Administration resorted to poorly designed executive action that used existing disaster assistance funds to supplement workers’ unemployment by $300 instead of agreeing to extend the $600. This program not only excluded millions of low-wage workers, but also only lasted a matter of weeks since it was capped at just $44 billion.\textsuperscript{144} The end result was that a critical support for the economy that buoyed millions of workers who have lost their jobs through no fault of their own disappeared. One study found that the CARES Act’s stimulus checks and enhanced unemployment lifted more than 18 million people out of poverty in April, but that number fell to just 4 million in August and September after the expiration of the $600.\textsuperscript{145}

\textit{The President has opposed aid to state and local governments}

Many states are facing an impending fiscal catastrophe because while they attempt to fight an unprecedented public health crisis, most are required by law to balance their budgets. At the same time, their tax revenues are collapsing while their Medicaid costs grow. Some will slash other spending, pushing more of the shortfall onto municipal governments since many rely on state government funding while facing the same collapse in revenue. Failing to provide adequate aid to
state and local governments would represent a failure to learn the lessons of the Great Recession, the recovery from which was significantly slowed by budget cuts at the state and local level. It took more than 10 years for state and local government employment to reach its pre-recession level, making the hole for the private sector to dig out of that much deeper.\textsuperscript{146}

The Families First Coronavirus Response Act passed in March had provided some modest support to states by increasing the share of states’ Medicaid costs that are covered by the federal government for the duration of the public health emergency, which is estimated to deliver $24 billion in aid to states in 2020.\textsuperscript{147} The CARES Act included an additional $150 billion in aid to state, local, territorial and tribal governments, but the Trump Administration’s Treasury Department decided to issue regulations that severely restricted what they could spend the money on by generally not allowing them to address revenue shortfalls.\textsuperscript{148} This was a policy choice the Administration made that has exacerbated the budget crunch state and local governments face.

The $150 billion in aid was widely seen as insufficient at the time the CARES Act passed and experience has borne that out: the United States has already lost a total of 1.3 million state and local jobs since February, and several states and cities have made clear that they will enact further cuts if aid does not come soon.\textsuperscript{149} The need for aid should further increase as COVID cases peak throughout the country. Without further aid, we can expect state and local job losses to significantly slow down the pace of recovery as occurred in the recovery from the Great Recession.

Nevertheless, both Senate Republicans and the Trump Administration have been implacably opposed to additional state and local aid.\textsuperscript{150} In fact, Senate Majority Leader Mitch McConnell even stated in April that, rather than providing additional aid, he “would certainly be in favor of allowing states to use the bankruptcy route” and that “we’re not going to let [the states] take advantage of this pandemic to solve a lot of problems that they created themselves [with] bad decisions in the past.”\textsuperscript{151}

President Trump has falsely touted his opposition to additional state and local aid as preventing a “blue state bailout” and that “because all the states that need help — they’re run by Democrats in every case...You look at Illinois, you look at New York, look at California, you know, those three, there’s tremendous debt there, and many others...Florida is doing phenomenal, Texas is doing phenomenal, the Midwest is, you know, fantastic — very little debt.”\textsuperscript{152} In reality, Texas, Florida and Midwestern states all face significant revenue shortfalls.\textsuperscript{153}

\textit{The Administration mismanaged aid to small businesses}

A critical goal of federal policy in the COVID crisis is to ensure that small businesses survive. The large-scale collapse of small businesses as entire sectors of the economy are essentially shut down could both slow the pace of recovery once the threat of the virus recedes as well as make it less
equitable. For that reason, Congress passed vigorous support for small businesses with the $670 billion Paycheck Protection Program as its centerpiece.154 Structured as a set of low-interest rate loans for small businesses that could be forgiven if the businesses maintain their payroll, PPP was supposed to protect America’s small businesses.155

Yet, the Trump Administration prevented the program from living up to its full potential. The rollout was a mess with several large banks threatening to delay the launch of their lending programs because of insufficient guidance from the Treasury Department.156 Loans did not flow to the regions or industries that were hardest hit. In the initial round of loans, the hardest hit industry — hospitality, accommodation and food services — received just 9 percent of loans.157 Similarly, less than 20 percent of small businesses in New York City received a loan compared to more than half in Nebraska despite the fact that the former’s death rate from COVID-19 was roughly 20 times that of the latter in the spring.158

One reason for the poor targeting of the PPP loans was the reliance on financial institutions, which steered loans to larger businesses that would make them more money in fees and favored businesses with whom they had preexisting relationships.159 All of this harmed the program’s ability to reach Black and Hispanic business owners — one survey found that during the initial round of funding, just 12 percent of Black and Hispanic small-business owners reported receiving the amount they requested from the Small Business Administration.160

**Economic recovery and the livelihoods of millions of Americans are at risk**

The drag on the economy produced by the lack of a bipartisan deal on new federal legislation will only grow over the coming months. Most importantly, 12 million unemployed workers will see the unemployment benefits they currently receive because of the CARES Act expire by the end of the year.161 That alone would reduce first quarter incomes by $150 billion, according to one estimate.162 This is a true economic and humanitarian emergency — the expiration of the $600 in additional unemployment benefits meant that millions of unemployed Americans would be forced to live on a fraction of their previous incomes. The exhaustion and expiration of their base unemployment benefits means that they will have nothing — how they will buy groceries or pay for housing is unknown.

That the economy and millions of livelihoods are at risk is the result of a set of deliberate choices by Senate Republicans and President Trump. The House of Representatives has already passed two versions of the Heroes Act, a bill that would provide vital income support to millions of Americans while restarting the economy.163

Instead, Republicans have dragged their feet on additional COVID aid and then have released proposals that provide insufficient support. They were opposed to extending the $600 in additional
unemployment benefits that were critical to maintaining aggregate demand and allowing unemployed workers to make it through the pandemic without suffering a dramatic decline in their standard of living.\textsuperscript{164} They have been unwavering in their opposition to additional aid to state and local governments, which is necessary to prevent state and local job losses from slowing down the recovery.\textsuperscript{165} And — most importantly — no Republican proposal until the December bipartisan proposal would extend unemployment benefits for the millions of unemployed workers who will exhaust their benefits or see them expire at the end of the year.

\textit{Economic support should be tied to the state of the economy}

The failure of Senate Republicans and the White House to approve additional economic support while it is very much needed underlines the need for policymakers to tie it to the state of the economy instead of arbitrary cutoff dates.\textsuperscript{166} Joint Economic Committee Vice Chair Don Beyer, along with Representative Derek Kilmer, Senator Jack Reed and Senator Michael Bennet, developed the Worker Relief and Security Act, which would have tied UI benefits to the public health crisis and the economy.\textsuperscript{167} This would not only have ensured that the supplemental UI benefits did not expire in July, but would also have given workers peace of mind that their incomes would not suddenly fall. Tying other economic support such as nutrition assistance and state and local aid to the state of the economy would also sustain struggling families while boosting the economy.\textsuperscript{168} Enhancing automatic stabilizers — especially in light of the struggles Washington has had with meeting deadlines — should be a priority of the next Administration and Congress.

\textit{Additional fiscal support is needed urgently}

The economy has been buoyed by the savings workers accumulated from the extraordinary support provided by the CARES Act in addition to the pandemic’s reduction in opportunities for spending. The personal savings rate, for example, surged to 34 percent in May compared to 7 percent in May of the previous year and, as of October, it remained elevated.\textsuperscript{169} Indeed, a detailed study by the JP Morgan Chase Institute found that the $600 doubled the liquid savings of unemployed workers between March and July, but they spent two-thirds of that savings in August alone.\textsuperscript{170} The disappearance of this tailwind for the economy this fall has likely contributed to the slowing of the recovery.

The end result is that the United States is entering a period of surging COVID caseloads, school shutdowns and large-scale business closures without additional fiscal support.\textsuperscript{171} The recovery from peak unemployment levels of around 20 percent has been faster than many observers expected, but the policies and COVID caseloads that produced the 20 percent unemployment have returned.\textsuperscript{172}
CHAPTER 3: RACE, CLASS AND THE CORONAVIRUS

The Economic Report of the President credits the Trump Administration for what until February 2020 appeared to be decreasing economic inequality, with low unemployment rates and increased wages for racial and ethnic groups that historically have suffered second-class economic status. Black Americans, for example, who for decades had experienced unemployment rates approximately twice as high as White Americans, saw their jobless rate fall to only 5.8 percent in February 2020. Similarly, Hispanic Americans saw their unemployment rate fall to only 4.4 percent.

However, these modest improvements were the result of the recovery from the Great Recession and the record-breaking economic expansion under the Obama Administration, not the Trump Administration’s economic policies. The Federal Reserve also played a key role, keeping interest rates low even when overall unemployment fell below its “natural rate.”

The Report claimed too much credit and claimed it too soon. When the coronavirus pandemic struck the United States in the spring of 2020, unemployment skyrocketed to 14.7 percent overall, 16.8 percent for Black workers and 18.9 percent for Hispanic workers. Despite the fact that unemployment rates for all workers and for these groups have fallen in recent months, the gains of the pre-COVID period have been rolled back.

The Trump Administration’s incompetent and often counterproductive response to the coronavirus pandemic has led to widespread suffering concentrated among the most vulnerable the working poor, immigrants, Black, Hispanic and Native Americans, and others — who are disproportionately exposed to the coronavirus and also more likely to suffer economic hardship because of it. The intertwined public health and economic crises have exposed underlying structural inequities in U.S. society that were not fully overcome by the long economic expansion. Identifying the extent to which these crises have exacerbated existing gaps in equity throughout the American economy should provide future administrations with a guide as to where to direct resources to prevent future crises from having the same results.

RESPONSE TO THE CLAIM THAT TRUMP’S POLICIES HAVE LISENED INEQUALITY

The Report incorrectly gives the Trump Administration credit for the tightening labor market in the years leading up to the coronavirus pandemic. In fact, historically low unemployment rates before the pandemic represented a continuation of the record 6 year economic expansion under the Obama Administration.
The Report celebrates the record low unemployment rate for Black Americans in August 2019, without acknowledging that the rate remained nearly 60 percent higher than the rate for Whites. It goes on to elaborate the benefits of persistently low unemployment — such as higher wage gains for low income and less educated workers, and wage gains and lower poverty rates overall and for Black Americans and Hispanics in particular. However, these also were a result of the booming labor market and economic expansion which the Trump Administration inherited from the Obama Administration.

The Administration’s signature economic policy did not reduce economic inequality

The Report is particularly perverse in its crediting of the highly regressive 2017 Tax Act with reducing income inequality and increasing employment and wages. The tax cuts implemented by the Trump Administration were skewed toward high earners and corporations, and there is little to no evidence that those tax breaks resulted in increased employment by the companies that benefited from them. Historical evidence suggests that the unemployment rate always declines at a steady pace during economic recoveries and expansions, and as former Fed Chair Yellen pointed out, expansions do not “just die of old age.” But, as former colleague Ben Bernanke replied, “they get murdered” — in our current case, by the steep recession that resulted from the Trump Administration’s failure to contain the coronavirus.

The Federal Reserve deserves credit for keeping rates low throughout the economic expansion

If any federal policy deserves credit for the continuing expansion between 2017 and early 2020, it is the Federal Open Market Committee’s (FOMC) monetary policy, which cut interest rates and sustained them at below 3 percent even with unemployment below what had previously been
considered its “natural rate.” The Federal Reserve made the important decision to not halt the economic expansion out of fear that the economy would “run hot” and stoke inflation. The FOMC under Federal Reserve Chairman Powell had already started cutting rates in summer of 2019, after a brief tightening cycle which had only brought interest rates half of the way back to their normal levels.

Community stakeholders also played an important role, repeatedly emphasizing the importance of a tight labor market for disadvantaged communities during the “Fed Listens” series of public outreach events. The willingness of the FOMC to hold off on raising rates, which has now been formalized in their new policy framework, preserved the Obama-era expansion. The origins of this policy rest firmly with the FOMC. White House initiatives, including the Tax Cuts and Jobs Act of 2017 (TCJA) and deregulation, did not increase job growth beyond the existing trend.

**ECONOMIC DISADVANTAGES AS A RISK FACTOR FOR COVID-19**

As of mid-December 2020, the coronavirus has caused the deaths of more than 300,000 Americans, affecting those from every region, race and socioeconomic background. The economic shock caused by the pandemic resulted in a sharp rise in unemployment, with the overall rate rising to 14.7 percent in April 2020. However, the virus has hit those with modest means the hardest, particularly lower income Black, Hispanic and Native Americans, far out of proportion to their share of the population. While it has long been understood that wealth, race and health are closely tied, COVID-19 has focused attention on the high human cost of structural inequalities in American society.

*Poor Americans are more likely to suffer from health conditions that make them more vulnerable to COVID-19*

The relationship between health and socioeconomic status flows in both directions: the wealthy effectively can buy better health through medical care, better quality food and safer living spaces, and the healthy are better able to become wealthy through uninterrupted participation in the labor market and lower unexpected health care costs. The poor cannot afford the health insurance and medical services necessary to stay healthy, making them less able to escape from being poor.

As a result, Americans living near or below the poverty line are much more likely than their wealthier counterparts to have underlying health conditions like hypertension, chronic lung disease, diabetes, obesity and heart disease. A study by the Centers for Disease Control (CDC) finds that nearly nine of 10 individuals hospitalized with COVID-19 suffer from such conditions.
Black, Hispanic and Native Americans are more likely than White Americans to live in poverty. Partly as a result, they are more likely to contract the virus, be hospitalized for it and die from it. As of November 30, 2020, Native Americans were 1.8 times more likely than White Americans to have contracted the virus, four times more likely to be hospitalized for it and 2.6 times more likely to die from it. Hispanic Americans had largely similar case and hospitalization rates as Native Americans, at 1.7 times the case rate and 4.1 times the hospitalization rate, but had a higher mortality rate at 2.8 times the White rate. Black Americans had a similar death rate from coronavirus to Hispanic Americans at 2.8 times the White rate, but had lower contraction and hospitalization rates, at 1.4 and 3.7 times the White rates.191

*The working poor are more likely to be exposed to the coronavirus*

The working poor are more likely to be exposed to the coronavirus because they are more likely to have jobs in parts of the service sector that put them in close contact with the public — for example, as home health aides, grocery clerks, restaurant workers and housekeepers. These occupations are disproportionally held by Black and Hispanic Americans. They also are far less likely than better-paying jobs to offer paid sick leave or health insurance.192 Almost none of them offer the opportunity to work from home.193

Twenty-four percent of both Black and Hispanic Americans work in service occupations, compared to 16 percent of White and Asian Americans.194 Within the service occupations, the largest shares of Black and Hispanic workers work in health care support, food preparation and serving, personal care, and building and grounds cleaning and maintenance. Black workers are particularly overrepresented in health care support compared to other service occupations, making up 27 percent of the workers in that occupation, which includes nurses, psychiatric aides and home health aides, though they account for 13 percent of the labor force. Hispanic workers, who comprise 18 percent of the workforce, are overrepresented in building and grounds cleaning and maintenance, making up 38 percent of the workers in that occupation, which includes maids, housekeeping cleaners and grounds maintenance workers.195

“Essential” workers — disproportionately immigrants and people of color — face greater health risks

Although the employees of industries classified as “essential” by the Department of Homeland Security are demographically similar to the labor force as a whole, those in occupations which cannot be done remotely — the true “frontline” workers — are disproportionately in the lowest quintile of wage earners, people of color and/or immigrants. This holds true even after taking account of which industries have been entirely or largely shut down. These frontline occupations within essential industries include both heavily female occupations in industries such as retail and health care, as well as heavily male occupations in industries such as transportation and
construction.\(^{196}\) Non-remote workers have suffered worse respiratory health, greater perceived fears of COVID infection and greater job losses during the pandemic. These disparities have been most severe for non-remote workers in the poorest households.\(^{197}\)

Immigrants disproportionately work in essential occupations. The Center for Migration Studies found that there are 19.8 million foreign-born workers qualified as essential. Sixty-nine percent of immigrants are in essential work categories compared to 65 percent of the native-born labor force.\(^{198}\) About three-fourths of undocumented immigrants in the labor force are in sectors classified as essential.

According to 2019 BLS data, immigrants account for a disproportionate labor share within several industries that are primarily classified as essential. Despite accounting for just 17 percent of the labor force, immigrants make up 23 percent of workers in agriculture, forestry, fishing and hunting; 28 percent of workers in construction; 19 percent of workers in manufacturing; and 21 percent of workers in transportation and utilities, professional and business services, and leisure and hospitality.\(^{199}\) This disproportionate employment in essential industries means immigrant workers are less able to limit their exposure to COVID-19.

\textit{Jobs that were a pathway to the middle class pose increased risks}

Stable public sector occupations (transit workers, public school teachers, post office staff, etc.) that for decades have provided a reliable path to the middle class for Black and Hispanic workers have proven to be a double-edged sword during the pandemic.\(^{200}\) These jobs largely cannot be done from the safety of home; as a result, to bring home a paycheck, these middle-class workers put themselves and their families at risk of becoming infected with coronavirus. Tragic reports have surfaced of public transit workers, grocery store clerks and health care assistants being exposed to the virus, contracting COVID-19 and in some cases dying because their jobs require that they be in close contact with the public, even when it puts their health at risk.\(^{201}\)

\textit{Many Americans don’t have the resources to withstand an economic downturn}

While sudden health changes can be challenging economic events for households across the socioeconomic spectrum, they are devastating for poorer households. With U.S. health care costs the highest in the world (and with worse health outcomes than countries in the Organisation for Economic Co-operation and Development that spend far less), paying for unexpected health care costs can bankrupt some families.\(^{202}\) In 2018, nearly 40 percent of American adults would have found it difficult to cover an unexpected $400 expense, having to either put it on a credit card, take out a loan, borrow from a friend or family member, or sell something.\(^{203}\) Workers who experience serious health shocks and have to leave the labor force often do not receive public assistance after
doing so, find it difficult to reintegrate into the labor force and are therefore at increased risk of falling into poverty. This creates a pernicious cycle for COVID-19 victims. The poor are at higher risk of contracting COVID-19 or developing serious complications from it. If it forces them to leave work or pay for an expensive unexpected medical cost, the disease can drive them deeper into economic hardship or poverty. In this way, the coronavirus pandemic may exacerbate both economic and public health inequality.

ECONOMIC STATE OF THE BLACK COMMUNITY

Despite significant economic progress over the past decades, Black Americans experience far worse economic conditions than Whites and the population as a whole. Over the course of 2020, longstanding and deep-seated inequities were thrown into sharp relief as a result of the COVID-19 pandemic and the deep economic recession that followed. Evaluating the economic state of Black America requires acknowledging that while the United States has made some progress over the course of its history, very large disparities continue to persist. Recognizing both the progress and the challenges is essential to ensuring that every American has a realistic chance to achieve success and security.

Black workers have experienced higher unemployment as a result of the coronavirus recession

Black Americans historically have suffered approximately twice the unemployment rate of White Americans, even during past economic crises. However, that ratio fell at the beginning of the coronavirus recession in April 2020, when the Black unemployment rate reached 16.7 percent while White unemployment peaked at 14.2 percent, bringing the Black-White unemployment ratio down to an historic low of 1.2 to 1. The sharp increases in both unemployment rates were largely the result of the effects of the pandemic and nationwide efforts to contain it. The Black unemployment rate’s smaller-than-expected increase may have also been a double-edged sword at the onset of the pandemic, given the significant health risks associated with working outside the home during the pandemic. Black workers are overrepresented in service occupations such as food preparation and health care support, which entail close personal contact with customers and are less likely to have access to paid sick leave and telework options.

As stay-at-home orders were relaxed and businesses began to reopen, the unemployment rate for White workers dropped much faster and by a greater amount than for Black workers. The Black-White unemployment ratio today is approaching its “normal” 2:1 ratio; in November 2020 White unemployment stood at 5.9 percent while Black unemployment remained at 10.3 percent, bringing the ratio to 1.8 to 1. Black workers could see prolonged spells of unemployment as the recession, which was originally caused by pandemic-related restrictions on economic activity, continues as a
result of reduced consumption. These extended periods of unemployment have characterized Black workers’ labor market experiences in past economic downturns.\textsuperscript{209}

The pandemic-induced recession has also reversed the decade-long convergence in labor force participation for Black and White workers. Between January 2010 and February 2020 the gap in labor force participation fell from 3 percentage points to just 0.2 percentage points. This downward trend reversed abruptly with the onset of social distancing and stay-at-home orders. As of November 2020, the gap has risen to 1.2 percentage points, erasing more than a third of the gains made over the previous 10 years of tight labor markets.\textsuperscript{210}

\textit{Large racial disparities in household income and poverty persist}

Rising wage inequality and stagnating wage growth in the United States over the past 40 years have coincided with increasing racial disparities in wages and wage growth. Wages have grown fastest for those at the top of the income distribution, including for high-earning Black workers. However, because Black workers make up a disproportionate share of the bottom of the income distribution, slow wage gains at the bottom have hit the Black community hardest.\textsuperscript{211}

The median annual household income for Black households in 2019 was $46,073, more than $20,000 less than households of all races and $30,000 less than for White households, which had a median income of $76,057. In other words, for every dollar earned by the typical White household, the typical Black household earned only 61 cents. This is significantly worse than in 2000, when the typical Black household earned about 65 cents for every dollar earned by a White household.
Black workers are more likely to work at or below the minimum wage than White workers; 2.4 percent of Black workers worked at or below the federal minimum wage of $7.25 in 2019 compared to 1.9 percent of White workers. In 2019 Black workers made up 18 percent of minimum wage workers despite being only 13 percent of the labor force. 212 Black workers would therefore disproportionately benefit from increases in the minimum wage; 38 percent would benefit from an increase as compared to 23 percent of White workers.213

Ironically, college-educated Black workers face a larger absolute income gap relative to White workers than those without a college education. College educated Black workers are also at a higher risk of being underemployed — working in occupations that do not make use of their education and consequently pay less. Almost 40 percent of Black college graduates are underemployed, compared to 31 percent of White graduates.214

As a result of disparities in employment and wages, Black workers are over twice as likely to live in poverty as White Americans. The share of Black Americans living below the poverty line fell below 20 percent for the first time since 1959 in 2019 — a long overdue milestone that will likely be rolled back as a result of the pandemic.215 Black Americans also face high rates of child poverty in America, with under-18 poverty rates close to or exceeding 30 percent dating back to 1974. The poverty rate for Black children regularly triples the rate for White children.216

The median net wealth of Black families is only one-eighth that of White families

The median net worth of White families in 2019 was $189,100, nearly eight times the median net worth of Black families, which was only $24,100. The median Black net worth is less than one year’s subsistence at the federal poverty level for a family of four. Though the gap in wealth
between White and Black families fell in relative terms between 2016 and 2019 from almost ten times to eight times, the absolute gap was little changed, falling just $1,370.

Racial wealth disparities are larger for more highly educated Blacks and Whites than for those with less education. While the Black-White wealth gap was about $65,000 for those with less than a high school education in 2019, for those with a bachelor’s degree and higher, the gap was over $300,000. The median net worth of college-educated Black families was $72,450, compared to $397,000 for White families. Black adults are also disproportionately burdened by student loan debt; 20 years after starting college, the typical Black borrower still owes 95 percent of his or her original balance, while the typical White borrower owes only six percent.217

Homeownership is the primary component of wealth for most American households. Yet, less than half of Black families owned their homes in 2020 (46 percent), compared to three quarters of White families (73 percent).218 This is a significant decline from the peak of Black homeownership in 2004 when 49 percent of Black households owned their homes. The collapse of the housing market in 2008 hit Black homeowners particularly hard, with Black households over 70 percent more likely to have faced foreclosure than non-Hispanic White households.219 Homes in majority-Black neighborhoods are also valued lower, even when controlling for home quality and neighborhood amenities, and despite Black Americans paying higher mortgage interest rates overall.220

Intergenerational wealth transfers are a determining factor in the distribution of wealth in the United States and of the racial wealth gap in particular.221 Throughout history, Black Americans have been excluded from programs that allowed a White middle class to emerge and build wealth. The wealth Blacks were able to build despite these hurdles was often destroyed through acts of domestic terrorism (e.g., Wilmington, NC in 1898, Tulsa, OK in 1921, and countless lynchings.
throughout the 19th and 20th centuries). Institutional practices like redlining, the undervaluation of homes in majority-Black neighborhoods and predatory lending continue to exacerbate racial wealth disparities. The failure to fully address these inequities sustains the wealth gap from generation to generation.

*The Black community faces significant physical and mental health risks from COVID-19*

As a result of a variety of systemic factors — occupational segregation, poor working conditions, discrimination in health care and an overabundance of preexisting health conditions, Black Americans are contracting and dying from COVID-19 at disproportionate rates. Black Americans make up one fifth of all coronavirus-related deaths in the United States, despite making up only 12.5 percent of the population. Black Americans’ age-adjusted mortality rate from COVID-19 is triple that of White Americans. As of November 2020, one in 875 Black Americans has died from COVID-19.

People of color are more likely to experience mental illness during the pandemic partly because they are bearing the brunt of the pandemic’s health and economic effects. For example, Blacks, Hispanics and Native Americans are about 1.5 or more times as likely as Whites to test positive for COVID-19 and approximately four times as likely to be hospitalized for it. In late September, 46 percent of Black Americans and 43 percent of Hispanics reported that they had difficulty paying for usual expenses during the pandemic, compared to 25 percent of Whites.

Racial disparities in mortality rates and the incidence of sickness and disability are partially the result of disparities in access to the resources that protect and promote good health. The relationship between socioeconomic status and life expectancy is well-established in the United
States, and a large portion of the life-expectancy gap between Black and White Americans can be attributed to disparities in income and educational attainment. However, even when controlling for income, education and wealth, racial disparities in health remain. These unexplained disparities suggest that discrimination and racial bias play a role in determining poorer health outcomes for Black Americans.

**ECONOMIC STATE OF THE HISPANIC COMMUNITY**

The coronavirus pandemic and recession has hit the Hispanic community hard, with Hispanics significantly more vulnerable to contracting, requiring hospitalization and dying from COVID-19 than Whites. This is partly because of structural inequalities, including the fact that a greater share of Hispanics hold essential jobs that put them in contact with the public. Hispanics are more than 1.5 times as likely as Whites to test positive for the coronavirus, close to three times as likely to die as White Americans and more likely to be hospitalized for COVID-19 than any other ethno-racial group. Hispanic children and young adults under 24 represent over 40 percent of all the COVID-19 deaths among Americans of their age.

The economic impact of the pandemic has been similarly crushing. Hispanic workers went from record high employment to hardest hit in a matter of months, with nearly one-in-five Hispanic women out of work at the April unemployment peak. Hispanic families face financial and food hardship, as well as higher eviction rates than the broader population. Although these disparities were heightened by the crisis, they have long predated it. While Hispanics have made significant progress over the past decades, including nearly doubling their rate of college completion, there still remain substantial obstacles to reducing economic inequality between Hispanic Americans and the broader population.

*The coronavirus recession has hit Hispanic Americans particularly hard*

In addition to higher rates of exposure to and hospitalization from coronavirus, Hispanic Americans have faced disproportionate economic insecurity during the pandemic-induced recession. The current hardships highlight structural barriers Hispanics face in employment, income, wealth, home ownership and health insurance.

Hispanic women and families with children have faced a meteoric rise in financial and food hardship due to COVID-19. According to the Center on Budget and Policy Priorities (CBPP), 36 percent of Hispanic children have experienced hardship during the pandemic. Among Hispanics, food insecurity doubled from March to September 2020. More than one-in-three Hispanic households have experienced food insecurity. Nearly three in ten Hispanic renters reported being behind on rent. A disproportionate share of Hispanics — particularly Hispanic women — work in private households and informal child care settings. Yet Hispanics report they are less
likely to have anyone available to care for their children while they strive to continue to work during school closures and hybrid schooling arrangements.\textsuperscript{231}

\textit{Hispanics face income and wealth inequality}

Hispanic Americans face inequalities in income, net worth, college completion, employment, food security, health insurance, access to capital and other objective measures of economic wellbeing. The typical Hispanic woman working full time year-round earns just 55 cents on the dollar compared to the typical White man working full time year-round, a gap that is 24 cents wider than that between White men and women.\textsuperscript{232}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{median_annual_earnings.png}
\caption{Median Annual Earnings Relative to White Men, by Race and Gender}
\end{figure}

While the tight labor market during the recent economic expansion may have benefited Hispanic workers, it has done little to solve the enduring discrepancies in wealth between Hispanic and non-Hispanic White households. Hispanic households have much less wealth than White households. In 2019, the median net worth of Hispanic families was only $36,100 compared to $188,200 for White families — a difference of over $152,000.\textsuperscript{233} If measured by average net worth (comparing a mean net worth of $165,500 for Hispanics versus $983,400 for Whites), Whites have six times as much wealth.

\textit{Hispanics disproportionately lack access to affordable housing}

Many Hispanics struggle to find and maintain a place of residence at a cost that is reasonable. Homeownership among Hispanics lags the homeownership rate of Whites. Only about half of Hispanics are homeowners compared to about three-in-four Whites.\textsuperscript{234} More than half of all Hispanics rent their homes and over half of all Hispanic renters are severely or moderately rent-burdened — meaning that more than 30 percent of their income goes to cover rent.\textsuperscript{235} States with
the highest share of rent-burdened residents are the states with some of the largest Hispanic populations, such as Florida, California and New York.\textsuperscript{236} About one-in-four Hispanic families spend at least half of their income on housing, with most low-income families spending over half of their income on rent.\textsuperscript{237}

Ironically, while many Hispanics lack access to affordable housing and are at higher risk of eviction and displacement than the broader population, they play an outsized role in building and maintaining the nation’s housing supply. More than one-in-three workers in construction are Hispanic. Five out of the seven occupations that are half or more Hispanic are in construction (drywall installers (68 percent); carpet, floor and tile installers (60 percent); painters, construction and maintenance (56 percent); roofers (51 percent); etc.). The other two detailed occupations that are about half or more Hispanic are in agriculture.\textsuperscript{238}

\textit{Hispanic households are more likely to be unbanked than White households}

Hispanic households (14 percent) are much more likely to not have a checking or saving account than White households (3 percent).\textsuperscript{239} Lacking access to mainstream banking and credit often means paying higher costs for financing. According to a study by the Pew Charitable Trusts, Hispanics are 1.5 times as likely as Whites to use payday loans.\textsuperscript{240} Interest on payday loans often has an effective annual percentage rate well above industry standards for credit cards or other consumer loans. This further lowers the capital available to Hispanic households already facing lower levels of personal earnings and higher rates of poverty.

\textit{Hispanic families are less likely to have health insurance than other Americans}

Hispanic workers, families and children have much higher uninsured rates than other Americans. In 2019, 18.7 percent of Hispanic Americans lacked health insurance.\textsuperscript{241} The uninsured rate among Hispanic children was higher than children overall and increased to 9.2 percent in 2019.\textsuperscript{242} That is more than double the rate of White children and higher than the uninsured rate of children living in poverty (7.4 percent).\textsuperscript{243} A more recent analysis estimates that as a result of the pandemic recession, approximately 3 million Hispanic workers — approximately 13 percent of the Hispanic workforce — have lost employer sponsored health insurance.\textsuperscript{244} The lack of full access to health insurance has made Hispanic Americans much more vulnerable to the spread of the coronavirus.

Detailing, understanding and reducing these inequalities is essential for improving the overall quality of life of the second largest ethno-racial group in the United States (second only to non-Hispanic White Americans). Recovery from this pandemic-induced recession will require an effective public health response and more equitable and inclusive investments in both near-term COVID-19 relief programs and long-term economic expansion.
ACHIEVING ECONOMIC EQUITY

America made significant progress in reducing social and economic disparities in the latter half of the 20th century, as discriminatory policies like segregation, redlining, employment discrimination and restricted voting rights were outlawed. The long pre-pandemic expansion, begun over a decade ago during the Obama Administration and sustained by effective, forward-looking monetary policy from the Federal Reserve, temporarily appeared to reduce gaps in unemployment and increase wages for lower income workers, as if the problems of the past were soon to be solved.

Tragically, just as the Report was released it was becoming obvious that the pandemic would kill the longest expansion in U.S. history. The economic devastation of the pandemic instantly robbed Black, Hispanic and other disadvantaged workers of the employment gains they had made during the expansion, in addition to the extraordinarily heavy burdens placed on those communities by the disease itself. The outgoing Administration’s legacy will be defined by its poor handling of the pandemic and reluctance to provide the American people with sustained economic relief. This lack of action will have lasting negative effects on communities throughout America, particularly those that are already disadvantaged.

There are few signs that these inequities will diminish on their own in the near future or that market forces alone will address them. It is unlikely that these persistent problems will be eliminated without concerted, societal efforts to solve them. Bold economic policies will be necessary to improve the economic status of Black and Hispanic Americans moving into the future, but the first steps are to recognize just what progress has been made, and how much further we have yet to go.

When the pandemic subsides to a degree that Americans can return to some version of their former lives, it likely will leave in its wake even greater inequality. Policymakers will have to take into account the racial disparities in the coronavirus’s impact; race-neutral policies may not be enough to undo the damage. If these conditions are not addressed aggressively, the deepening chasms in the United States could affect generations of Americans.
CHAPTER 4: MISSED OPPORTUNITIES TO SUPPORT WORKERS AND FAMILIES

The coronavirus pandemic has exposed the inadequacy of U.S. policies to support American workers and their families. Providing adequate paid sick leave, affordable child care and other family-centered policies are important during normal times, but they can become vital during a national health crisis or a major recession. These shortcomings have worsened the impacts of the pandemic, slowed the recovery from the economic crisis and will make it more difficult to achieve long-term growth.\textsuperscript{245} Despite a clear need for policies that better support workers and families, the Trump Administration has done little to alleviate their profound burden.

The coronavirus pandemic has exacerbated the need for comprehensive paid sick leave policy. During public health crises, paid sick leave becomes an essential tool for keeping workers and communities healthy. However, one-in-four working Americans — approximately 32 million people — do not have any paid sick leave, and millions more have access to inadequate paid sick leave.\textsuperscript{246} Those workers have a financial incentive to go to work even if they have symptoms of COVID-19. Providing adequate paid sick leave is not only essential policy for workers and families, it is also good economic policy as it helps businesses stay productive by preventing the spread of illness.

During the spring, one of every eight parents reported that they were forced to quit their job or reduce their hours because they did not have access to affordable child care.\textsuperscript{247} Many women, who disproportionately bear the responsibility of caring for children, have been forced to leave the labor force.\textsuperscript{248} America’s failure to contain the coronavirus has also put extraordinary pressure on child care providers, which continue to suffer from reduced enrollment as well as significantly higher costs for personal protective equipment and other safety measures. This is driving many child care providers out of business, crippling the sector even further. An undersupply of affordable child care may be one factor holding back the U.S. recovery and could have a negative impact on the economy well into the future.\textsuperscript{249}

The risk of infection, social isolation and high unemployment has put extreme pressure on millions of American families and has had a devastating effect on mental health. A November survey found that more than four-in-ten American adults reported symptoms of mental illness — more than triple the rate reported in 2019.\textsuperscript{250} In June, another well-regarded survey found that more than one-in-ten U.S. adults had considered suicide in the past 30 days, more than double what was reported in 2019.\textsuperscript{251} A long history of research demonstrates that mental health can profoundly affect economic output and productivity.
Just as the Administration refused to pass an extension of desperately needed unemployment benefits, it has also failed to alleviate the struggle of American workers and families by undermining the paid sick leave provisions in Families First Coronavirus Response Act (FFCRA), ignoring the need for child care and turning a blind eye to the suffering of millions of Americans who are experiencing clinical symptoms of anxiety or depression.252

**Paid Sick Leave**

When the first wave of the coronavirus hit the United States in the spring of 2020, the nation’s top public health officials said that strict social distancing measures were critical to contain the spread of the virus.253 Many prominent economists and economic policymakers agreed that this was essential in the short run not only to save lives but to protect the economy in the long run.254

One important strategy for slowing the spread of the virus is to lessen the chance that Americans who continue to work during the pandemic give it to their co-workers. However, approximately 32 million working Americans do not have any paid sick leave, and millions more have access to inadequate paid sick leave.255 Those workers have a financial incentive to go to work even if they have symptoms of COVID-19. Research on the 2009 H1N1 epidemic found that millions of Americans worked even while infected with the deadly disease.256

Providing adequate paid sick leave is essential worker and family policy, effective public health policy and good economic policy. For this reason, Congress passed paid sick leave provisions in the Families First Coronavirus Response Act (FFCRA).257 President Trump signed the legislation, but ensured that it included loopholes covering much of the labor force. FFCRA exempts health care providers, emergency responders, workers at firms with more than 500 employees and workers at companies with fewer than 50 employees who applied to the Department of Labor for relief.258 This not only struck a blow to some workers who would have received paid sick leave, but made it more likely that some would go to work even if infected with the coronavirus.

The United States is one of the only high-income countries without universal paid sick leave

One-in-four working Americans does not have any paid sick leave, and millions more have access to inadequate paid sick leave.259 In contrast, 22 of the highest income countries guaranteed an average of 10 days of paid sick leave in 2017. Other countries pay for these programs in a variety of ways. While some — such as Germany, New Zealand and the United Kingdom — rely on a mandate to require employers to pay employees sick leave, others — including Canada, France and Japan — leverage preexisting social insurance for long-term leave to pay for short-term leave as well. Countries with the strongest collective bargaining agreements have some of the most generous paid sick leave guarantees.260
Americans’ access to paid sick leave varies widely by industry, company size and income

While most employees of large U.S. corporations have paid sick leave, only two-thirds at companies with fewer than 50 employees have access to it. More than 90 percent of the top quarter of income earners have paid sick leave, while only around 30 percent of the poorest workers do.⁶¹
Industries with the highest risk of exposure to the coronavirus are least likely to offer paid sick leave

Ironically, workers in some service sector industries who are at greatest risk of contracting the coronavirus have the least access to paid sick leave; in the foodservice industry, for example, only 45 percent have access. In March 2019, only 58 percent of service sector workers had access to paid sick leave. In March 2020, over 130 million jobs were in service-producing industries, making up almost 90 percent of civilian employment. However, that number includes occupations like stockbrokers and computer programmers who can work from home and have some of the highest rates of paid sick leave coverage. For this reason, the availability of paid sick leave among lower-wage service sector workers is a better metric of the paid sick leave access of those most likely to be exposed.

Research shows that workers will go to work sick even during an outbreak of a serious, contagious disease. During the 2009 H1N1 epidemic, almost 20 million workers went to work sick, infecting at least 7 million co-workers. Approximately one-third of private sector employees who contracted the virus went to work anyway, while nine-in-ten public sector employees with the virus — who are far more likely to have paid sick leave — stayed home. Another study found that the absence of paid sick leave may have been responsible for an additional 5 million cases of H1N1.

Providing paid sick leave is cost-effective for many employers

Contrary to some claims, many employers find that providing paid sick leave to employees has a net benefit — reducing “presenteeism,” when workers go to work even though they are sick,
lowering the spread of illness to other employees and preventing illness-based losses of productivity. Paid sick days cost employers on average $0.34 per hour per worker — just over 2 percent of all employee compensation. Providing paid sick leave would have saved employers up to $1.88 billion per year in influenza-like illness absenteeism between 2007 and 2014, according to research published in the Journal of Occupational and Environmental Medicine. Presenteeism is thought to make workers between 22 and 25 percent less productive. Workers with paid sick leave are 28 percent less likely to be injured at work than those without paid sick leave.

Multiple studies from several cities where employers are mandated to provide paid sick leave show that a majority of companies report that implementing paid sick leave was worthwhile. One survey found that when a new paid sick leave mandate was implemented in Seattle in 2012, 70 percent of employers were supportive of the new policy. A 2018 study by the Upjohn Institute, taking advantage of the spatial and temporal variation in new state and local paid sick leave mandates, also found no evidence that employment or wages were impacted, either negatively or positively, by paid sick leave mandates.

The Administration undermined legislation to expand paid sick leave during the crisis

After passing the FFCRA, the Trump Administration undermined its paid leave provisions by expanding broad statutory exemptions through guidance from the Department of Labor, curtailing benefits for some health care workers and employees of small companies in addition to workers at large companies. The Heroes Act, passed by the House of Representatives on May 15, 2020 addressed these exemptions by extending paid sick leave to millions of additional workers and filling gaps left by long-term federal policies and the emergency provisions included in the FFCRA. The new legislation would protect all workers, regardless of the size of their employer or their job description. These positive steps, not yet acted on by the Senate and the Trump Administration, lay the groundwork for additional legislation to provide paid sick leave to American workers and help protect the public in this pandemic and the next one. The Trump Administration has failed to ease working families’ decisions about illness and work, as well as improve public health, by expanding paid sick leave.

Child Care

The coronavirus pandemic has forced large numbers of child care centers to close or scale back operations due to public health measures or parents’ fear of exposing their children to the virus. This has decreased the supply of affordable child care just as parents are forced to cope with increasing demands as a result of the crisis. The child care industry in the United States, which was weak even before the pandemic because of a lack of federal commitment, is at risk. This
threatens to have a long-term impact both on working parents and their children as well as the broader economy.

The pandemic has threatened the viability of child care providers

America’s failure to contain the coronavirus has put extraordinary pressure on child care providers, which have suffered from sharply reduced enrollments due to fear of contagion as well as significantly higher costs for personal protective equipment and other safety measures. More than four-in-five programs are serving fewer children than before the pandemic, with enrollment down by 67 percent on average.273 Many have been forced to slash operations and lay off employees or close completely.

One sign of the impact on the availability of child care is the very high number of jobs lost during the pandemic. The economy shed more than 370,000 child care jobs in March and April alone, not counting the self-employed.274 The number rebounded somewhat when strict public health measures were relaxed in most states in late spring, but by November there were still 173,000 fewer child care jobs than in February. The share of jobs lost in the child care industry is among the hardest hit sectors of the economy.275

Affordable child care already was in short supply

Even before COVID-19, more than four out of five parents of young children reported that finding quality, affordable child care in their area was a serious problem. More than half of families with young children live in “child care deserts,” where the demand for child care far exceeds the supply.276 American families that use child care on average spend about one-fourth of their income on it.277 In 30 states and Washington, D.C. the average cost of center-based infant care is more than the average cost of in-state college tuition. Between 2000 and 2020, the cost of day care and preschool rose nearly twice as much as inflation.278

Child care is far more expensive in the United States than in other developed countries, where it is seen as a public good. These higher costs are due to the fact that the U.S. federal government spends less than half as much on child care as a share of its gross domestic product as the average of other nations in the Organisation for Economic Co-operation and Development (OECD).279 In some of those countries, free child care is widely accessible; in others, fees are means-tested and on average amount to only about 15 percent of average earnings.280

Because American parents are forced to bear a much larger portion of child care costs, access to care highly depends upon a family’s economic status. Whereas universal, publicly-funded primary and secondary school education reduces inequality, a lack of accessible and affordable child care exacerbates it.
Accessible and affordable child care increases female labor force participation

The future growth of the U.S. economy depends in part on increasing the labor force participation rate, the share of the working-age population that is employed or looking for a job. From the mid-1960s through 2000, the U.S. labor force participation rate rose significantly, partly as a result of millions of women entering the workforce — mainly women with young children. Women’s labor force participation in the United States reached a peak in 2000 and then plateaued until the Great Recession when it declined slightly and settled at a lower plateau until March 2020. It then fell precipitously as a result of the pandemic.

Providing adequate and affordable child care is an important lever for increasing labor force participation — particularly for women, who shoulder a disproportionate share of child care responsibilities. The OECD countries that offer better family policies including affordable child care have higher rates of female labor force participation than the United States. Recent research reveals that maternal labor force participation rises when affordable child care is available — as much as 5 to 10 percentage points when the care is available at no cost. A study by the Economic Policy Institute found that capping child care expenditures at 10 percent of family income could increase overall women’s labor force participation enough to boost GDP by roughly $210 billion (1.2 percent).

The participation rate for mothers with school-age children declined by 3.3 percentage points between February and September, 2020, while it only declined 1.3 percentage points for fathers with school-age children. As child care centers and schools closed or shifted to remote learning, mothers shouldered most of the burden. The resulting decline in women’s participation is happening at time when women again comprised half of the U.S. workforce right before the pandemic began. In April, for the first time since April 1986, women’s labor force participation dipped below 55 percent.

Child care provides long-term benefits to families and the economy

Parents who have access to affordable child care can remain in the workforce and earn needed income. Those who leave the workforce to care for children — disproportionately mothers — can suffer depressed earnings throughout their careers. The lack of affordable child care is a major factor driving the gender wage gap, with the median woman earning 82 percent of what the median man earns.

Child care also provides an excellent return on investment. Economists at the Federal Reserve Bank of Minneapolis found that investments in child care and early education are “the most efficient means to boost the productivity of the workforce 15 to 20 years down the road.” Early education interventions are estimated to have produced returns of $3 to $17 for every dollar
invested, with lower crime and teenage birth rates, higher high school graduation and college attendance rates and higher lifetime earnings.

*Further weakening the U.S. child care system would erode women’s economic progress*

Women have borne an outsized share of the burden caused by school and child care closures, but they were also initially more likely to become unemployed during the pandemic. Approximately 60 percent of the jobs lost in the first wave of pandemic-induced layoffs were held by women.290 Although women’s unemployment rate is currently lower than men’s, this is in part a function of women leaving the labor force in much higher numbers than men. Without reliable and affordable child care, mothers will not be able to go back to work — but they cannot pay for child care without the income they would earn from going back to work.

Women who do not drop out of the workforce altogether can still have their careers harmed when they make career decisions based on meeting family obligations such as spending more time at home caring for children or choose a job based on flexibility or commute times. As Betsey Stevenson, University of Michigan economist and former member of the Council of Economic Advisers to President Obama, explains, “Those trade-offs end up giving them less opportunity, fewer opportunities for promotions or raises. That’s why you see much bigger gender gaps for women by age 50 than you saw at age 30.”291

*Congress passed funding for child care, but additional support stalled in the Senate*

The Families First Coronavirus Response Act and the CARES Act provided paid leave to many working parents and much-needed funding to states for child care subsidies to low-income families.292 However, an estimated nearly $10 billion per month is needed to help child care providers safely provide care and prevent many others from being forced to shut down permanently. While the House of Representatives passed the Heroes Act and the Child Care is Essential Act, which would provide an additional $7 billion and $50 billion for Child Care Development Block Grants, respectively, the Administration has failed to support these bills and they have stalled in the Senate. Without this critical assistance, the nation’s child care system is at risk, further reducing the supply of affordable child care, making it more difficult for parents to work and as a result slowing the economic recovery.

**Mental Health**

The combined health and economic shocks of the coronavirus pandemic and the Trump Administration’s failure to address them have led to an unprecedented mental health crisis. A recent poll finds that almost two-thirds of Americans fear that they or their loved ones will be exposed to the virus. Almost one-third of American adults are having trouble paying for usual
household expenses. The situation likely may worsen substantially when emergency unemployment benefits expire for an estimated 12 million workers at the end of 2020.293

As a result of these pressures, a recent online survey of 99,000 households by the U.S. Census Bureau found that more than two-in-five of American adults report symptoms of depressive and/or anxiety disorder in November — more than triple the rate reported in 2019.294 In June, another well-regarded survey found that more than one-in-ten U.S. adults had considered suicide in the past 30 days — more than double what was reported in 2019.295 These rates are even higher among certain populations; more than one-in-two young adults, more than 1 in 5 essential workers and almost 1 in 3 unpaid caregivers had seriously considered suicide in the past 30 days.296

The pandemic’s health and economic devastation has led to a dramatic increase in rates of anxiety and depression. This mental health crisis has placed a profound strain on families and the workforce, both of which can have lasting effects on society and the economy, even beyond the end of the pandemic.

Fear of the coronavirus, social isolation and acute economic pressure strain Americans’ mental health

Since the beginning of the pandemic, President Trump has cast doubt on the severity of the pandemic, including telling the American people that the coronavirus isn’t dangerous.297 Even in October, as President Donald Trump left Walter Reed National Military Medical Center, he told Americans “not to be afraid” of the virus. However, a poll conducted in early October found that 65 percent of Americans fear that they or their loved ones will be exposed to the virus.298 Since March, the coronavirus has kept millions of Americans isolated and in their homes, away from friends and family who for many are a critical emotional support network.299

A long history of research dating back to the Great Recession demonstrates that during times of economic crises, psychological and social stress rise. As a result of the coronavirus recession, in late November, over 82 million adults — 35 percent of adults in the country — had difficulty paying for usual household expenses.300 Almost 12 percent of adults — 26 million people — did not have enough food to eat.301 And over 17 million people were not current on rent or mortgage payments.

Nearly half of young adults report having symptoms of mental illness

According to the Household Pulse Survey, the younger people are the more likely they are to report having symptoms of depressive and/or generalized anxiety disorder.302 Young adults aged 18 to 29 report the highest rate of mental illness of any age group: almost six-in-ten (58 percent) report having symptoms of depressive and/or generalized anxiety disorder.303 A survey by the Centers
for Disease Control and Prevention conducted in June found that over 1 in 4 young adults aged 18-24 had seriously considered suicide in the 30 days prior.\textsuperscript{304}

\textit{Hispanic and Black Americans report the highest rates of symptoms of mental illness}

People of color are bearing the brunt of the pandemic’s health and economic effects. For example, Blacks, Hispanics and Native Americans are almost twice as likely as Whites to test positive for COVID-19 and approximately four times as likely to be hospitalized for it. In late September, 46 percent of Black Americans and 43 percent of Hispanics reported that they had difficulty paying for usual expenses during the pandemic, compared to 25 percent of Whites.\textsuperscript{305}

Partly as a result of these pressures, Hispanic and Black Americans are more likely to report having symptoms of mental illness than Whites. According to the Household Pulse Survey, in early November, 48 percent of Hispanic Americans and 44 percent of Black Americans reported having symptoms of depressive and/or anxiety disorder, compared to 41 percent of Whites.\textsuperscript{306} A CDC survey conducted in June found that Black and Hispanic Americans were at least twice as likely as Whites to have seriously considered suicide in the past 30 days.\textsuperscript{307}

\textbf{Symptoms of Mental Illness by Race and Ethnicity}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{symptoms.png}
\caption{Percent of Adults with Symptoms of Anxiety and/or Depressive Disorder}
\end{figure}

\textit{Source: Census Pulse Survey, Phase 3, Week 18}

\textit{The pandemic will have a lasting impact on Americans’ mental health}

Researchers studying the Great Recession have found “long-lasting…declines in mental health” for those most affected.\textsuperscript{308} In the year following Hurricane Katrina, the incidence of mental illness, post-traumatic stress disorder (PTSD) and suicidal ideation went up.\textsuperscript{309} This suggests that the anxiety and depression caused and exacerbated by the COVID-19 pandemic may have a long-lasting impact on our society.
To tackle this unprecedented mental health crisis, the federal government’s additional pandemic relief efforts must invest significant resources toward mental health care, especially in the communities that need them the most. This can include dedicated relief funds to mental health providers to ensure they have the resources they need to keep their doors open. Efforts should also include expanding access to mental health care, such as mental health screenings, crisis/grief counseling and evidence-based crisis responses services. Given the elevated rates of reported mental illness among people of color and young adults, resources should target these communities. Special focus should also be given to essential workers and caregivers, both of whom surveys indicate are experiencing higher rates of mental illness. 310

There is yet no clear end in sight for the coronavirus pandemic, which will continue to have devastating effects on public health and on the economy. While news of clinical trials on vaccines has been promising, there is a long way to go before a vaccine will be widely available to the general public. The Institute of Health Metrics and Evaluation projects more than 345,000 deaths by the end of 2020 under current circumstances and almost 540,000 by April 1, 2021.311 The Federal Reserve expects the unemployment rate to remain above pre-pandemic levels until at least the end of 2021.312 These intense stresses likely will have a growing and lasting impact on Americans’ mental health.
CONCLUSION

The Trump Administration inherited a strong economy but failed to pursue policies that would sustain and strengthen the economic expansion. The current Administration will soon become the first presidency in the modern era to record negative job creation over the course of its term. There are 3 million fewer jobs today than when President Trump took office in January 2017.\textsuperscript{313} As a result, President Trump will leave to his successor a much weaker economy than the one he inherited.

Even before the pandemic, the Administration’s economic performance had been unspectacular. Its costly tax cuts, which were projected to increase the national debt by nearly $2 trillion, delivered benefits to the wealthiest Americans and large corporations but failed to produce the promised surge in economic growth or boost to middle-class wages. In 2019, just over a year after the tax cuts were enacted, the Federal Reserve had been forced to cut interest rates three times partly in response to the Administration’s erratic trade policies.

The President’s failed response to the coronavirus pandemic, in which he largely did the opposite of what was recommended by the nation’s top public health experts and economists, has had a devastating economic impact on millions of Americans. The nation now faces a second wave of the pandemic that will be much worse than the first wave in the spring. His failure to contain the coronavirus will be his most lasting economic legacy.

Millions of Americans are experiencing hardship and hunger, are months behind on rent and face greater challenges in the future. According to the most recent Household Pulse survey from the Census Bureau, one-third of adults expect a loss of income in the next four weeks, one-third have difficulty paying usual household expenses and one-third live in a household where eviction or foreclosure is somewhat or very likely in the next two months.\textsuperscript{314} Parents of young children have paid an especially high price. According to a new study from the Urban Institute, 40 percent of parents with a child under age 6 reported they or their family experienced a loss of employment or work-related income during the first six months of the pandemic.\textsuperscript{315}

The Administration’s mismanagement of the coronavirus, and its grudging response to limit the resulting economic damage, have exposed and widened vast structural inequalities. Low-income workers and people of color have been most harmed by COVID-19 and the ensuing recession. They are more likely to be exposed to the virus, to be hospitalized and to die from it.

Unemployment rates for workers of color spiked in the spring and today remain substantially higher than rates for White workers. Black and Hispanic households report not getting enough to eat at twice the rate of White households.\textsuperscript{316} Labor force participation rates for women, who
recently had become the majority of the workforce, have dropped precipitously, in April reaching the lowest level since 1986. Mothers exited the workforce at much higher rates than fathers to care for children whose child care centers have been shuttered or whose schools shifted to remote learning.

While Congress’s fiscal response in the spring, including support for small businesses, unemployed workers, homeowners and renters, and state and local governments, paired with the Federal Reserve’s aggressive monetary policy have mitigated the worst impacts of the crisis, much more needs to be done to ensure the economy does not fall into a protracted recession. As Treasury Secretary-designate Janet Yellen noted, “Inaction will produce a self-reinforcing downturn causing yet more devastation.”

By all objective measures — job growth, unemployment, gross domestic product — President Trump leaves the economy in much worse condition than he found it. However, the numbers do not tell the whole story — his failure to use the power of the presidency to fight the coronavirus will weigh down the U.S. economy for years to come. His successor will be left with an extraordinary challenge — to reverse the failures of the Trump Administration. He must also move beyond them to ensure that the United States builds back better from this crisis, fully utilizing the talents and resources of all of its people to build an economy that is fairer, stronger, more inclusive and more resilient.
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Hispanic and Hispanic American are used in this report. Hispanic is often used interchangeably with the Spanish-language term, Latino and the gender-neutral term, Latinx. In historical data series from official statistical agencies, sources often use the term Hispanic. Other and more recent sources may use Latino, Latinx or other terms for Americans of Latin American or Spanish descent.

Per the Office of Management and Budget (OMB), “Hispanic or Latino” refers to “a person of Cuban, Mexican, Puerto Rican, Cuban, South or Central American, or other Spanish culture or origin, regardless of race.” Some others use the term “Hispanic” to include both Spanish and non-Spanish speaking countries of Latin America, while some use “Hispanic” only to refer to those of Spanish origin or descent. Since 2000, the U.S. decennial census has asked all Americans if they are of Hispanic, Latino or Spanish origin. In most federal data sources, both “Hispanic” and “Latino” are inclusive of Americans that self-report as “Hispanic,” “Hispanic” or “Spanish origin.” “Latino” is a universal or masculine identifier; “Latinia” is a feminine identifier.


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