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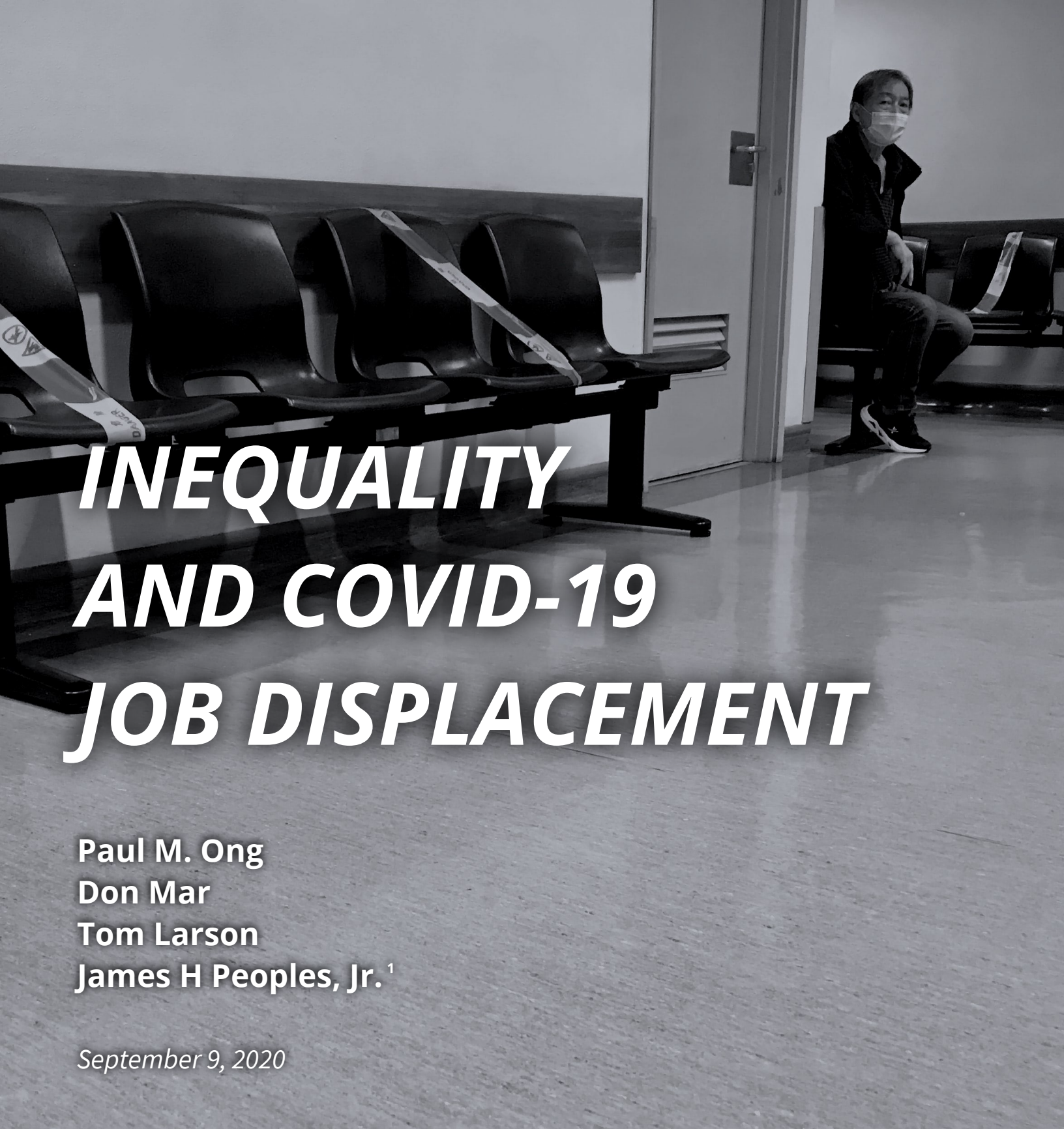
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# **INEQUALITY AND COVID-19 JOB DISPLACEMENT**

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*September 9, 2020*



**Center for Neighborhood  
Knowledge**



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# TABLE OF CONTENTS

- 05** EXECUTIVE SUMMARY
- 06** INTRODUCTION
- 07** DATA & METHOD
- 10** JOB DISPLACEMENT BY RACE/ETHNICITY, EDUCATION, INCOME, AND AGE
- 14** CONCLUSION & RECOMMENDATIONS







# EXECUTIVE SUMMARY

The United States is experiencing an unprecedented, generational, and continuing economic crisis. As part of this crisis, large racial and socioeconomic disparities exist in the job displacement caused by the economic impact of the pandemic. This research brief examines racial and social inequality in job displacement resulting from COVID-19 and inability to collect unemployment-insurance benefits. The U.S. Census Household Pulse Survey is specifically designed to capture the effects of the pandemic across a wide spectrum of social issues. This data allows us to directly measure the effect of COVID-19 on job losses compared to the more general unemployment rate which does not distinguish between pandemic and non-pandemic reasons for being unemployed.

Minority groups, lower income and less educated workers, and the youngest worker are most severely affected. Major findings include:

1. Although Black and Latinx workers are both more adversely affected for the pandemic, Latinx workers are highly impacted. Latinx workers account for 1 out of 4 displaced workers without UI benefits although they are only 1 out of the 6 employed workers.
2. Displaced low income workers from households earning less than \$25,000 per year are 31% of the displaced workers without UI, yet they are only 10.6% of the employed workers.
3. Workers with and without a high school education comprise almost half of all displaced workers who do not receive UI although they represent only a third of employed workers.
4. Younger workers are more likely to be displaced. 30% of all displaced workers without UI are between the ages of 18 and 30 compared to being 22% of the employed.



# INTRODUCTION

The COVID-19 pandemic and ongoing societal disruption has led to a historical economic downturn in the U.S. economy, the fastest and deepest contraction since the Great Depression. According the U.S. Bureau of Economic Activity, GDP declined at an annualized rate of 32.9% for the 2nd quarter of 2020<sup>2</sup>, prompting the New York Times terms it as the “worst drop on record”.<sup>3</sup> The official BLS unemployment rate was 13.3% in May, and then fell slightly to 10.2% in July<sup>4</sup> as the economy opened partially. These rates may have under reported the labor-market impact because they do not include discouraged workers who stopped looking for work. In addition, the BLS has noted problems categorizing survey respondents during the pandemic as the survey questions are based on a relatively stable employment economy. Many respondents, who were categorized as “not working, but expect to be recalled” and “employed, but absent from work,” were not counted as unemployed in their official unemployment numbers, lowering the official level of unemployment.<sup>5</sup> One study attempts to adjust for concerns over the BLS classification issues of unemployment finds an upper-bound estimate of the April 2020 unemployment rate to be much greater: 26.5 percent. This level of unemployment rivals the unemployment level of the worst year of the Great Depression. They also estimate 2020 upper-bound unemployment rates of 31.8 percent for blacks and 31.4 percent for Latinx.<sup>6</sup> The Dept. of Labor statistics for August 8 has over 28 million receiving state and Federal unemployment benefits and 1.4 million new claims.<sup>7</sup> As of August 16, 2020, the nation reported over 5.38 million confirmed cases and over 169 thousand deaths.<sup>8</sup>

The pandemic crisis is far from over as the case numbers and deaths continue to increase with no determination as to when it will be over. The University of Washington predicts a second wave of deaths starting in late summer.<sup>9</sup> The UCLA Anderson Forecast predicts that it will take up to three years for the economy to fully recover, with hospitality and other low-wage service sectors being among the slowest to come back (Shulman, 2020). Most forecasts predict a very slow and protracted economic recovery, lasting a year or two.<sup>10</sup>

The ongoing economic impact is unevenly distributed across the population. Minorities and lower income groups are more severely affected, and less likely to receive financial relief.<sup>11</sup> The projected numbers may grow with the recent end of supplemental unemployment benefits from CARES Act, along with extended spells of joblessness.

To quantify the magnitude of the disparate impacts of the pandemic on job displacement, this research brief utilizes the U.S. Census Bureau’s weekly Household Pulse Survey (HPS)<sup>12</sup> to analyze the economic disparities of the pandemic’s impact. The HPS is a unique, experimental survey to specifically measure the effects of the pandemic across many aspects of society including employment. The survey allows us to examine job displacement from COVID-19 directly as opposed to inferring it from long-term surveys and data.

# DATA & METHOD

The analysis relies on the U.S. Census Bureau's weekly Household Pulse Survey (HPS), a multi-agency collaboration to collect information on the social and economic effects of COVID-19 on Americans. As a rapid response demonstration project, HPS is part of the Experimental Data Product series. The first wave of the HPS has a short-life span (from late April to late July) with a short questionnaire, but it contains valuable information pertinent to the pandemic crisis. The survey covers disruptions to employment, spending patterns, food security, housing, health, and education. Over 1 million interviews were conducted over the 12 weeks from April 23 to July 21. The Bureau publishes statistics for the nation, all states and the 50 largest metropolitan areas. Unfortunately, cross tabulations by race and income are only available at the national level, and there are no tabulations across subject areas (e.g., no information how employment problems and unemployment-insurance benefits are related).

To fill this information gap, we use the Household Pulse Survey Public Use microdata File (PUF) to analyze job displacement. We pool six weeks of data for United State (June 11 to July 21), which produces a sample of 549,361 adults. This number of observations enables us to produce customized tabulations and conduct multivariate analyses to estimate job losses across race, class (income groups), education, and age. We only use the last 6 weeks of the data as only these surveys ask questions allowing us to determine who receives unemployment insurance.

There are limitations to the survey. The questionnaire was administered online leading respondents to be more affluent, more educated, more likely to be women, and less likely to be from larger households compared to the nation as a whole. In addition, although the questionnaire is available in both English and Spanish, it is not in any Asian language. The latter limitation probably means that limited-English-language Asian immigrants are underrepresented in the sample. To overcome some of these limitations, responses were weighted by the Census to make the results representative of the nation. Cautions are given by the Census as the survey is deemed experimental.<sup>13</sup>

The HPS asked non-working respondents, "What is your main reason for not working for pay or profit?" (RSNNOWKR in the Pulse questionnaire). Responses allow for a number of COVID-19 related responses for being unemployed.<sup>14</sup> In order to construct a conservative estimate of job displacement, we counted as displaced by the pandemic respondents who answered "No" to not working and gave the following reasons for not working:

- I did not have work due to coronavirus pandemic related reduction in business (including furlough).
- I am/was laid off due to coronavirus pandemic.
- My employment closed temporarily due to the coronavirus pandemic.
- My employment went out of business due to the coronavirus pandemic.



We analyze these pandemic displaced workers using the following methodology. We create 3 categories of workers: Employed, Displaced and receiving Unemployment Insurance (UI), and Displaced but not receiving UI. The latter category is important in terms of developing policy for those displaced workers most disadvantaged by the pandemic. We then compare the percentage share of each of the three categories by race/ethnicity, household income, age, and education level.<sup>15</sup>

Employed workers are defined as respondents who answered “Yes” to the question, “Now we are going to ask about your employment. In the last 7 days, did you do ANY work for either pay or profit?” In addition, we also added non-working respondents who said they received all or partial pay from their employer when asked “Are you receiving pay for the time you are not working?”

Finally, to determine if respondents were receiving UI payments, we used the question, “Thinking about your experience in the last 7 days, which of the following did you use to meet your spending needs?” Respondents who said “Yes” to using UI benefits were counted as receiving UI payments. The sample’s three groups weighted percentages were 84.1% employed, 8.4% Displaced receiving UI, and 7.5% Displaced and not receiving UI.<sup>16</sup>

For the purpose of this analysis, we use the following mutually exclusive racial categories: non-Hispanic whites (NHW, n= 414,245), Blacks (n= 44,720), Asians ( n=24,888), Latinx self-identified as “Hispanic” (n= 45,161). Finally, we create a fifth category, “Other” who are non-Hispanics who did not self-identify as exclusively, White, Black, Asian, or Latinx (n= 20,347). We use this approach to clearly distinguish ethnic and racial groups,

To help validate the results, weighted frequency counts for the 3 groups were compared with the CPS estimates for comparable weeks. Employment counts from the HPS (146.8 M for 6/18-6/23; 141.9M for 7/16-7/21) compared closely to the CPS estimates for the reference weeks (142.8 M and 144.5M for the respective weeks). The HPS counts of workers receiving unemployment benefits (13.7M for 6/18-6/23; 15.4M for 7/16-7/21) also compared closely to the BLS continued UI claims (16.3M and 15.2M for the respective weeks). Due to differences in the HPS questions from the CPS unemployment questions, we could not compare HPS estimates of unemployment with the CPS estimates.

We present tabulations for these 3 groups of workers by race, income, education, and age in order to analyze who is being displaced by the pandemic. We used logistic regression models to check for statistical significance and to validate the independent effects of the demographic differences, but do not present them in this brief.



BLUE MOON

CARRYO  
623-937-

MONDAY  
WINGS  
DAY

EVERY FRIDAY  
RICE BOWL \$3.99  
with any Meat

EVERY SATURDAY  
Any Chicken  
Sandwich

Happy  
Sunday

\$3.99 ALL ENTREES \$9.99  
ON SUNDAY

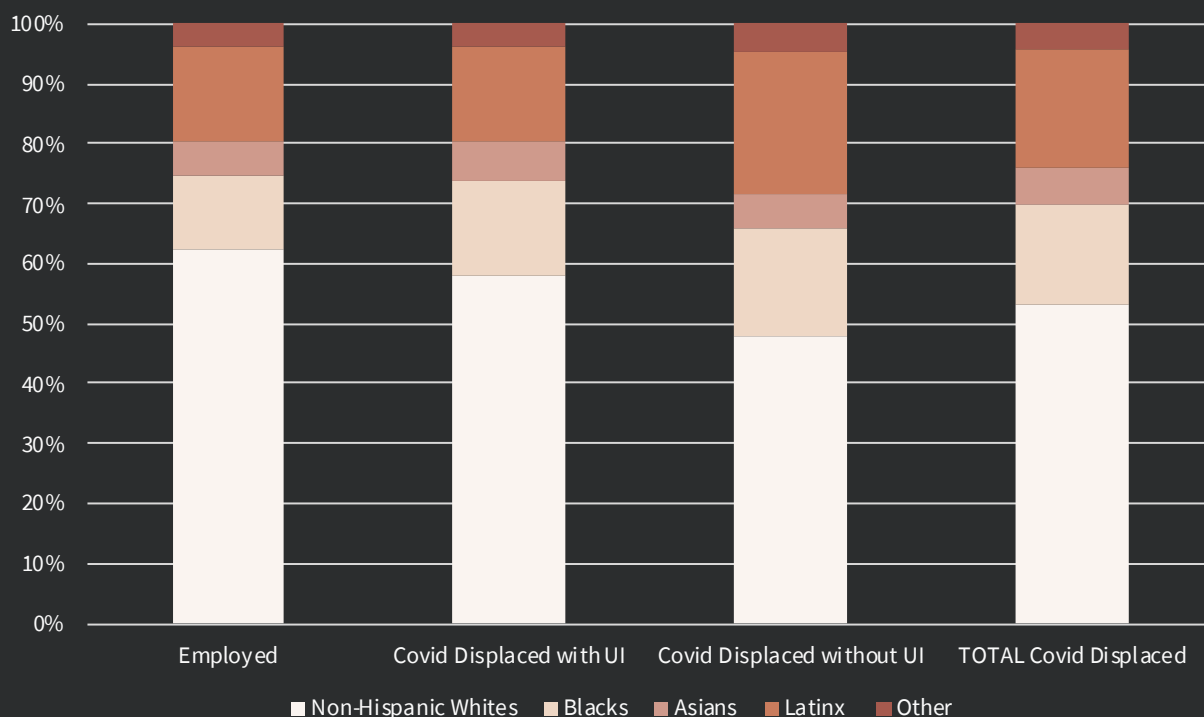


# JOB DISPLACEMENT

## by Race/Ethnicity, Education, Income, & Age

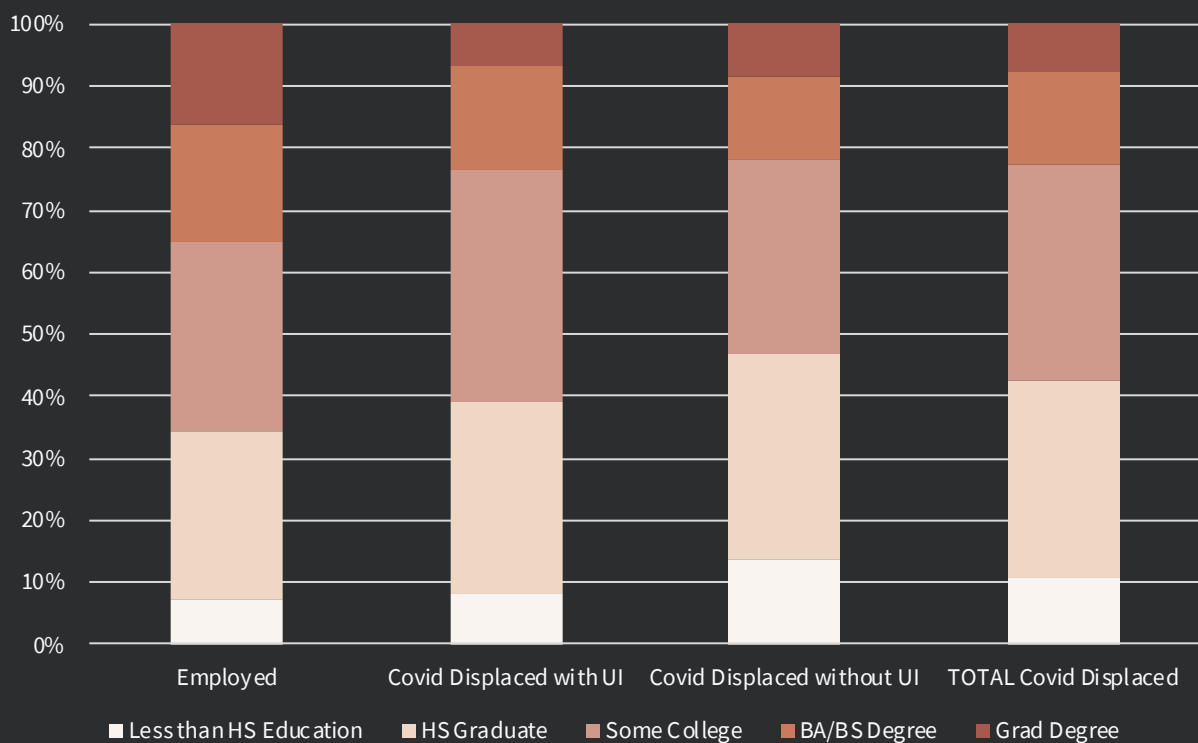
**Figure 1** shows percentage share of the three labor force groups by race/ethnicity. The Total Displaced by COVID-19 add the displaced job losses with UI and the displaced without UI. There are systematic racial differences in job losses due to COVID-19. Although, Blacks and Latinx together make up 28% of the employed workers, they are 31% of the displaced workers with UI and 42% of displaced workers without UI. Black workers displaced without UI account for 16% of all displaced workers with UI, and 18% all displaced workers without UI although Black workers comprised 12.5% of employed workers. Latinx workers displaced with UI also represent 16% of displaced workers with UI and an ever greater 24% of all displaced workers without UI. For comparison, Latinx workers are only 15% of the employed group. The Asian worker displacement share with UI group (6.5%) is about a percentage point greater than their share of employment (5.7%) and close to parity with their share of employment in the displaced without UI group.

Figure 1: Employed and Covid Displaced by Race



**Figure 2** shows that there are significant differences in job losses due to COVID-19 by education level. Not surprisingly, the effects of the pandemic were greater as education level decreased. Workers with less than a high school education made up 7.2% of the employed workers, but 7.9% of displaced workers with UI and 13.6% of the displaced workers without UI. This pattern is repeated for workers with a high school education. Workers with a high school degree account for 27% of the employed workers, but 31% of displaced workers with UI and 33% of the displaced workers without UI. Workers with some college but without a baccalaureate degree fare somewhat better with these workers making up 30.5% of the employed workers, but 37.8% of displaced workers with UI and 31.4% of the displaced workers without UI.

Figure 2: Employed and Covid Displaced by Education Level

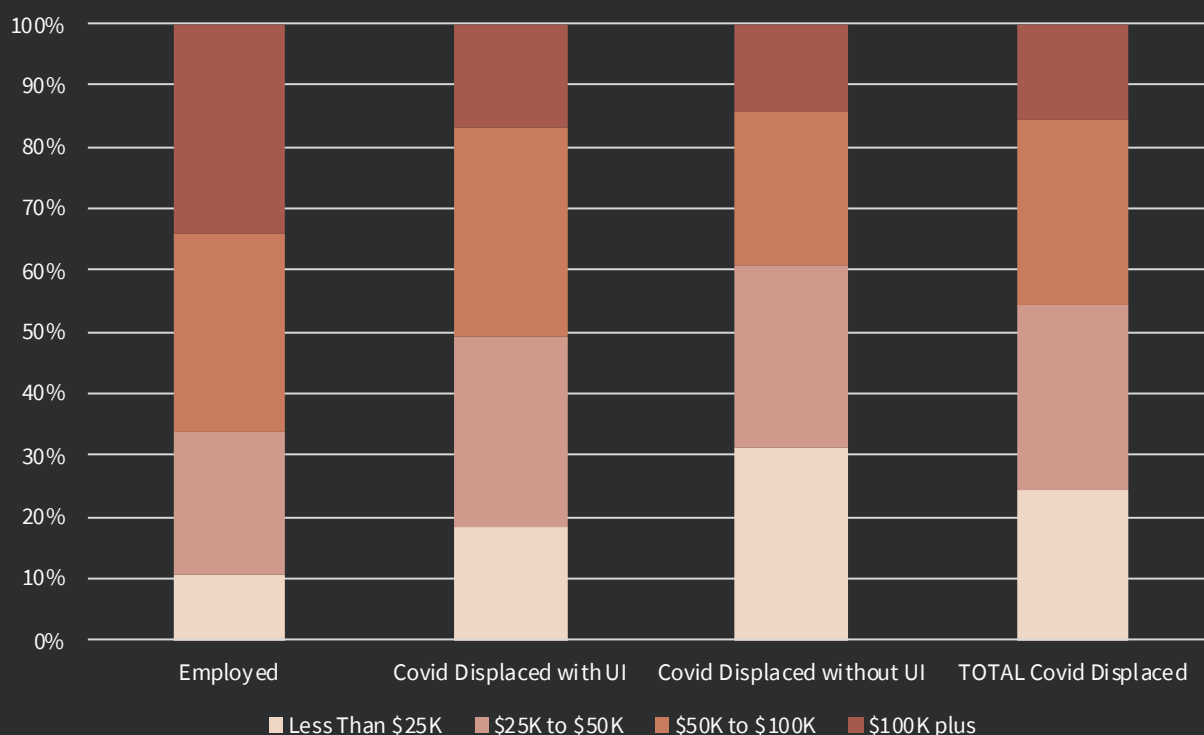


Similarly, the data reveal a systematic difference by income. While education and income are correlated, they capture different things. More schooling translates to higher earnings (on average), but also enables the individual to better access assistance and resources from mainstream institutions and public agencies during a crisis.



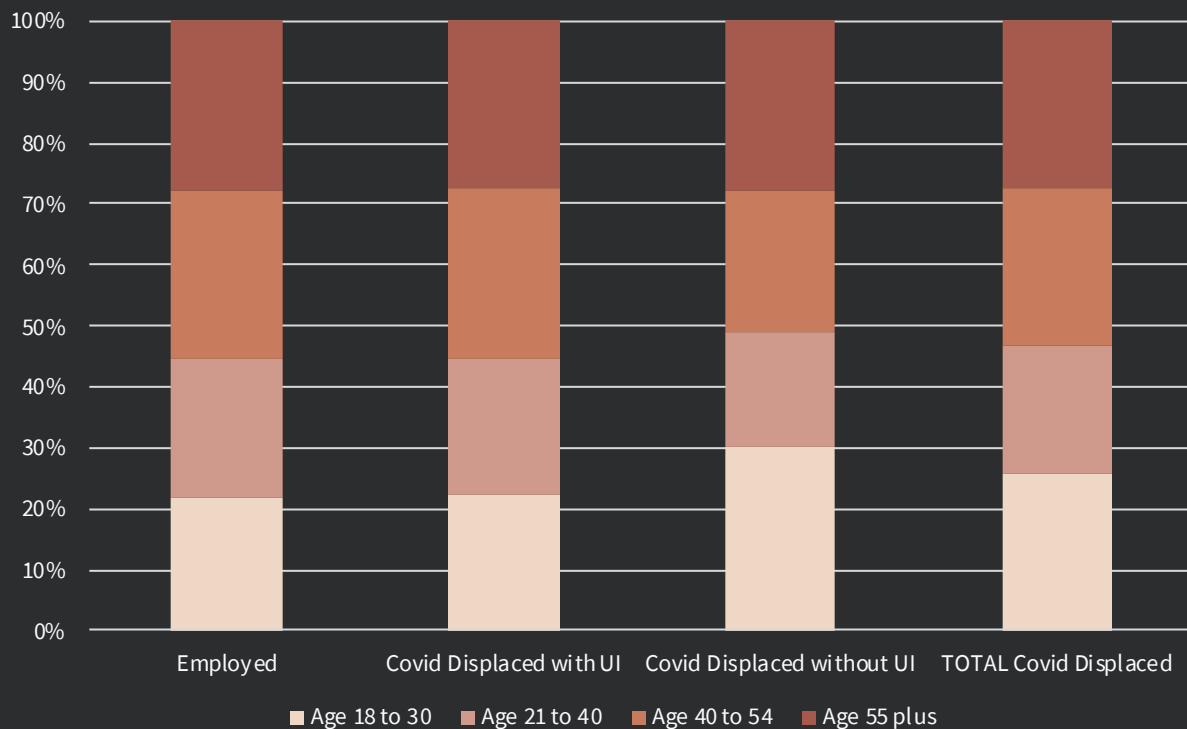
Given the disparate impact by education, it is not surprising that disparities by income exist as shown in **Figure 3**. Lower income groups are a disproportionate share of the most disadvantaged group of workers displaced without UI. Workers from households making less than \$25,000 per year are 31.1% of workers displaced by COVID-19 without UI; yet are only 10.6% of employed workers. Workers from households making between \$25,000 and \$50,000 per year are 29.5% of workers displaced without UI. Their respective share of employment is 23%.

Figure 3: Employed and Covid Displaced by Income Level



There are also systematic disparities by age, as shown in **Figure 4**. For all four of the age categories, the shares of employment are very similar to their shares of COVID-19 displacement with UI. However, the youngest workers are a much greater share of the COVID-19 displaced workers without UI. Workers between the ages of 18 and 30 are 30% of the displaced workers not receiving UI although they make up 22% of the employed workers. There is concern over the labor market “scarring” effects of the pandemic on the long-term labor market outcomes for younger workers. These effects include lower future earnings as displacement due to higher unemployment, lower educational attainment, less attachment to the labor market as workers get discouraged, greater health issues, and lower family formation.<sup>17</sup>

Figure 4: Employed and Covid Displaced by Age



# CONCLUSION & RECOMMENDATIONS

The empirical analyses reveal significant systematic differences in displacement brought on by the pandemic and in the ability to collect financial relief among the displaced. Not surprisingly, minority groups, lower income and less educated workers, and the youngest worker are most severely affected. Although Black and Latinx workers are both more adversely affected for the pandemic, Latinx workers are highly impacted. These workers account for 1 out of 4 displaced workers without UI benefits although they are only 1 out of the 6 employed workers. Displaced low income workers from households earning less than \$25,000 per year are 31% of the displaced workers without UI, yet they are only 10.6% of the employed workers. Workers with and without a high school education comprise almost half of all displaced workers who do not receive UI although they represent only a third of employed workers. Finally, 30% of all displaced workers without UI are between the ages of 18 and 30 compared to being 22% of the employed.

The findings show that pre-pandemic inequalities are amplified as pandemic labor-market hardships. These labor market hardships feed and increase social and racial disparities in not only income, but also in housing, poverty, food security, health, and education. If the economic effects of the pandemic are indeed extended over the coming years, many will struggle to find meaningful employment in a protracted and uneven economy adding to inequality in the US.

It is critical for elected officials to act now to address the looming economic crisis. In the short run, they must extend and renew enhanced unemployment benefits to mitigate the effects at the lower incomes and more disadvantaged groups. This includes expanding UI eligibility, so that it covers those currently outside the system. Over the longer run, programs should be developed to preserve jobs, develop employment skills, and expand social services for lower-income and minority workers as these workers are heavily impacted but underserved by traditional social welfare programs.<sup>18</sup> Finally, government must directly address the systemic racial and economic inequality in this severe economic crisis. The unfortunate reality is public resources are limited and programs are imperfectly implemented. These realities translate into disparities of who is helped. Without conscious and explicit equity mechanisms, the least disadvantaged will disproportionately benefit, while the most disadvantaged will be left behind.

# ENDNOTES

*Photo credit:*

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<sup>2</sup> <https://www.bea.gov/news/2020/gross-domestic-product-2nd-quarter-2020-advance-estimate-and-annual-update>, accessed August 16, 2020.

<sup>3</sup> <https://www.nytimes.com/2020/07/30/business/economy/q2-gdp-coronavirus-economy.html#:~:text=The%20percentage%20decrease%20in%20G.D.P.%20is%20by%20far%20the%20biggest%20on%20record.,-%2B&text=The%20coronavirus%20pandemic's%20toll%20on,nearly%20five%20years%20of%20growth>. accessed August 16, 2020.

<sup>4</sup> U.S. Bureau of Labor Statistics, “The Employment Situation July 2020”, <https://www.bls.gov/news.release/pdf/empsit.pdf>, accessed August 24, 2020

<sup>5</sup> U.S. Bureau of Labor Statistics, “The Employment Situation April 2020”, [https://www.bls.gov/news.release/archives/empsit\\_05082020.pdf](https://www.bls.gov/news.release/archives/empsit_05082020.pdf), accessed August 24, 2020

<sup>6</sup> Fairlie, Robert, Couch, Kenneth and Xu, Huanan, THE IMPACTS OF COVID-19 ON MINORITY UNEMPLOYMENT: FIRST EVIDENCE FROM APRIL 2020 CPS MICRODATA, NBER Working Paper 27246, <http://www.nber.org/papers/w27246>

<sup>7</sup> Dept. of Labor COVID-19 report <https://www.dol.gov/ui/data.pdf> accessed August 17, 2020.

<sup>8</sup> <https://www.cdc.gov/covid-data-tracker/#cases> accessed August 17, 2020.

<sup>9</sup> Institute for Health Metrics and Evaluation, <https://covid19.healthdata.org/>.

<sup>10</sup> Shulman, David. June 2020. “The Post-COVID Economy,” UCLA Anderson Forecast. [https://www.anderson.ucla.edu/documents/areas/ctr/forecast/reports/uclaforecast\\_June2020\\_Shulman.pdf](https://www.anderson.ucla.edu/documents/areas/ctr/forecast/reports/uclaforecast_June2020_Shulman.pdf) v <https://www.census.gov/data/tables/2020/demo/hhp/hhp11.html>

<sup>11</sup> Ong, Paul M., Chhandara Pech, Silvia Gonzalez, Sonja Diaz, Sonja, Jonathan Ong, Elena Ong, and Aguilar. June 11, 2020. “Jobless During A Global Pandemic: The Disparate Impact of COVID-19 on Workers of Color in the World’s Fifth Largest Economy.” UCLA Latino Policy & Politics Initiative and Center for Neighborhood Knowledge.



<sup>12</sup> U.S. Census Bureau, “Measuring Household Experiences during the Coronavirus (COVID-19) Pandemic,” <https://www.census.gov/householdpulsedata>

<sup>13</sup> Fields JF, Hunter-Childs J, Tersine A, Sisson J, Parker E, Velkoff V, Logan C, and Shin H. Design and Operation of the 2020 Household Pulse Survey, 2020. U.S. Census Bureau. Forthcoming. 2020. [https://www2.census.gov/programs-surveys/demo/technical-documentation/hhp/2020\\_HPS\\_Background.pdf](https://www2.census.gov/programs-surveys/demo/technical-documentation/hhp/2020_HPS_Background.pdf) accessed July 26,

<sup>14</sup> Non-working respondents were coded as follows: 1) I did not want to be employed at this time; 2) I am/was sick with coronavirus symptoms; 3) I am/was caring for someone with coronavirus symptoms; 4) I am/was caring for children not in school or daycare; 5) I am/was caring for an elderly person; 6) I am/was sick (not coronavirus related) or disabled; 7) I am retired; 8) My employer experienced a reduction in business (including furlough) due to coronavirus pandemic; 9) I am/was laid off due to coronavirus pandemic; 10) My employment closed temporarily due to the coronavirus pandemic; 11) My employment went out of business due to the coronavirus pandemic; 12) Other reason, please specify; 13) I was concerned about getting or spreading the coronavirus. Including responses (2), (3), and (13) would increase the estimate of job displacement. However, it cannot be determined if these respondents were working prior to the pandemic.

<sup>15</sup> We did examine differences by gender, but did not find the differences to be large, nor statistically significant.

<sup>16</sup> It is important to note that these percentages are not equivalent to BLS method of calculating the unemployment rate. As this brief focuses on COVID-19 displacement, we have not included unemployment for other reasons.

<sup>17</sup> See for example, Kahn, Lisa, *The long term labor market consequences of graduating from college in a bad economy*, Labor Economics, 2010, 17(2):303-316.

<sup>18</sup> Schwandt, Hannes and von Wachter, Til M, *Unluck Cohorts: Estimating the Long-Term Effects of Entering the Labor Market in a Recession in Large Cross-Section Data Sets*, 2018, NBER Working Paper 25141

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