

COVID-19 Impacts on Unemployment, Income, and Housing Cost Burden

Committee of the Whole

May 20, 2020



Business closures

STATE OF MINNESOTA

Executive Department



Governor Tim Walz

Emergency Executive Order 20-04

Providing for Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation

I, Tim Walz, Governor of the State of Minnesota, by the authority vested in me by the Constitution and applicable statutes, issue the following Executive Order:

The COVID-19 pandemic presents an unprecedented challenge to our State. Minnesota has taken proactive steps to ensure that we are ahead of the curve on COVID-19 prevention and response. On March 13, 2020, I issued Executive Order 20-01 and declared a peacetime emergency because this pandemic, an act of nature, threatens the lives of Minnesotans, and local resources are inadequate to address the threat.

STATE OF MINNESOTA

Executive Department



Governor Tim Walz

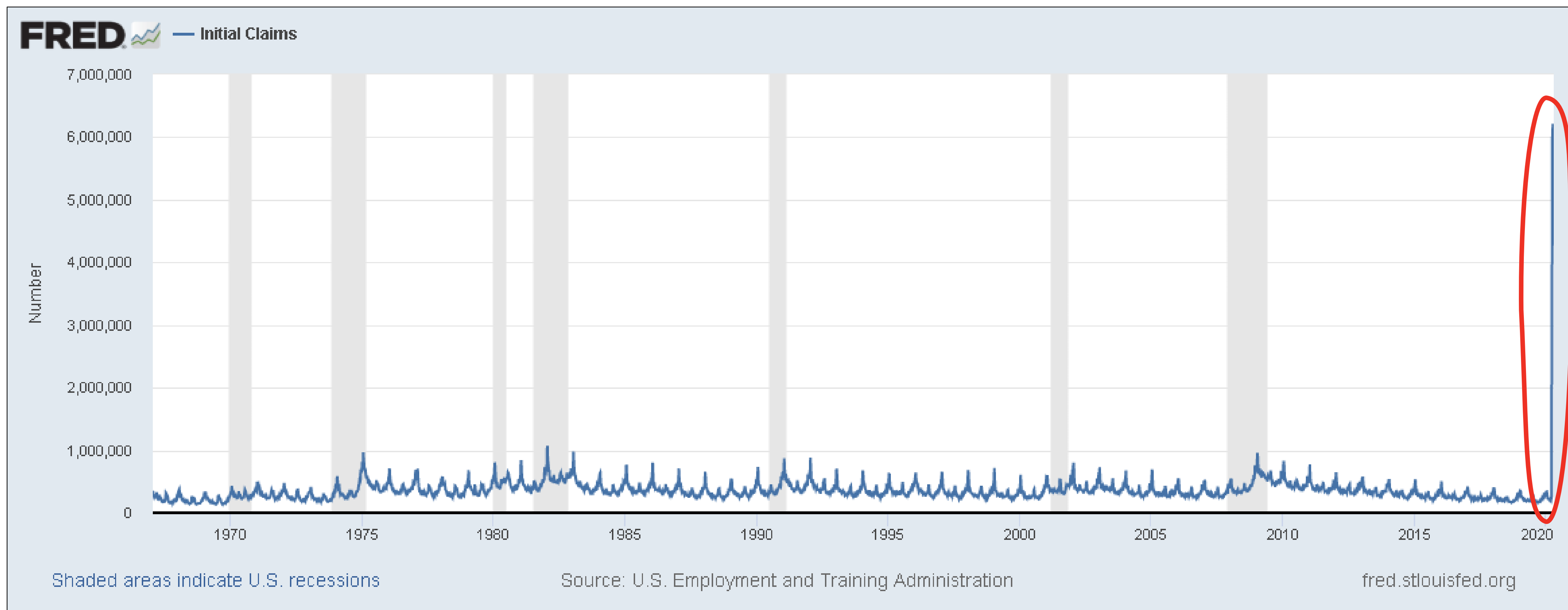
Emergency Executive Order 20-20

Directing Minnesotans to Stay at Home

I, Tim Walz, Governor of the State of Minnesota, by the authority vested in me by the Constitution and applicable statutes, issue the following Executive Order:

The COVID-19 pandemic presents an unprecedented challenge to our State. On March 11, 2020, the World Health Organization ("WHO") characterized the COVID-19 outbreak as a pandemic. Despite efforts to contain COVID-19, the WHO and the Centers for Disease Control ("CDC") indicate that it is expected to spread. Confirmed cases of COVID-19 in Minnesota are rapidly increasing. On March 15, 2020, Minnesota detected the first confirmed cases caused by "community spread"—infections not epidemiologically linked to overseas travel. By March 17, 2020, all fifty states had reported a confirmed case of COVID-19. By March 20, 2020, the CDC had confirmed more than 15,000 COVID-19 cases in the United States. And on March 21, 2020, the Minnesota Department of Health ("MDH") announced the first confirmed fatality due to COVID-19 in Minnesota.

Unprecedented job losses



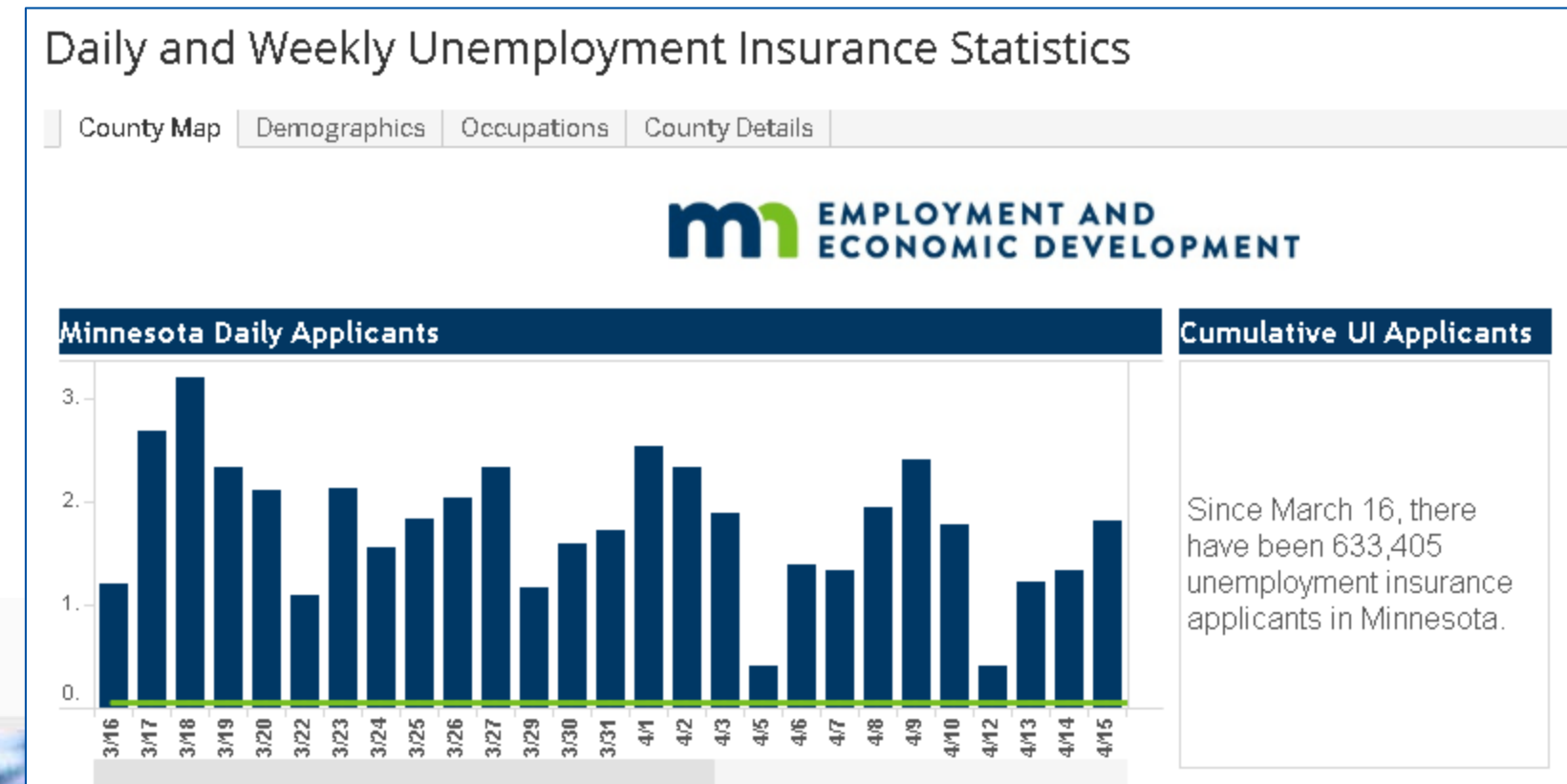
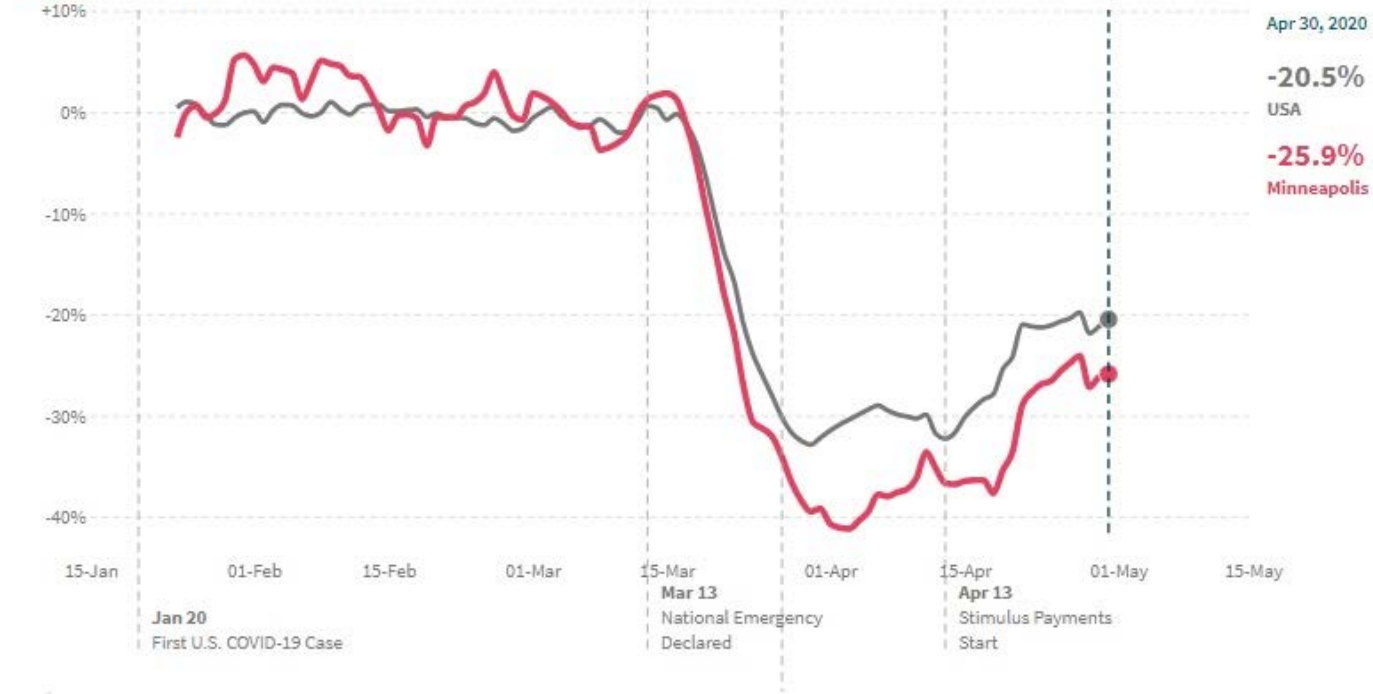
Researchers trying to comprehend the impacts

OPPORTUNITY INSIGHTS ECONOMIC TRACKER

CHOOSE AN INDICATOR

EMPLOYMENT	SPENDING	BUSINESSES	EDUCATION
Emp. Rates at Small Bus.	All Consumer Spending	Job Postings	Online Student
Hours Worked at Small Bus.	Low Income Spending	Small Businesses Open	
Unempl. Claims Rate	High-Income Spending	Small Business Revenue	
Total Unempl. Claims		Total Business Revenue	

In **Minneapolis**, as of April 30 2020, total spending by all consumers decreased by **25.9%** compared to early January 2020.



BROOKINGS



THE AVENUE

The places a **COVID-19** recession will likely hit hardest

Mark Muro, Robert Maxim, and Jacob Whiton - Tuesday, March 17, 2020

United States Census Bureau

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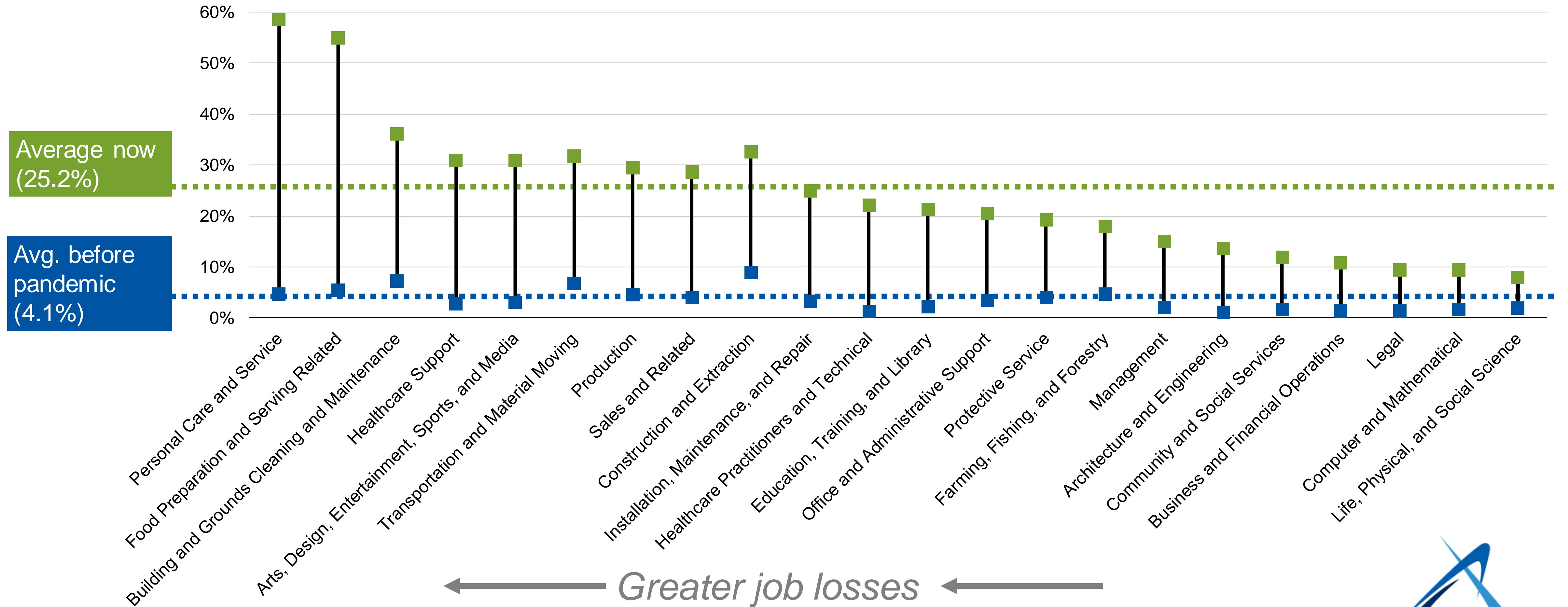
Household Pulse Survey: Measuring Social and Economic Impacts during the COVID-19 Pandemic



Our contribution

- Which industries and occupations are hit hardest, with the most job losses?
- What impacts will job losses have on households' incomes and housing cost burden?
- How much will federal responses reduce the economic pain?
- What does this mean for disparities by race and ethnicity?

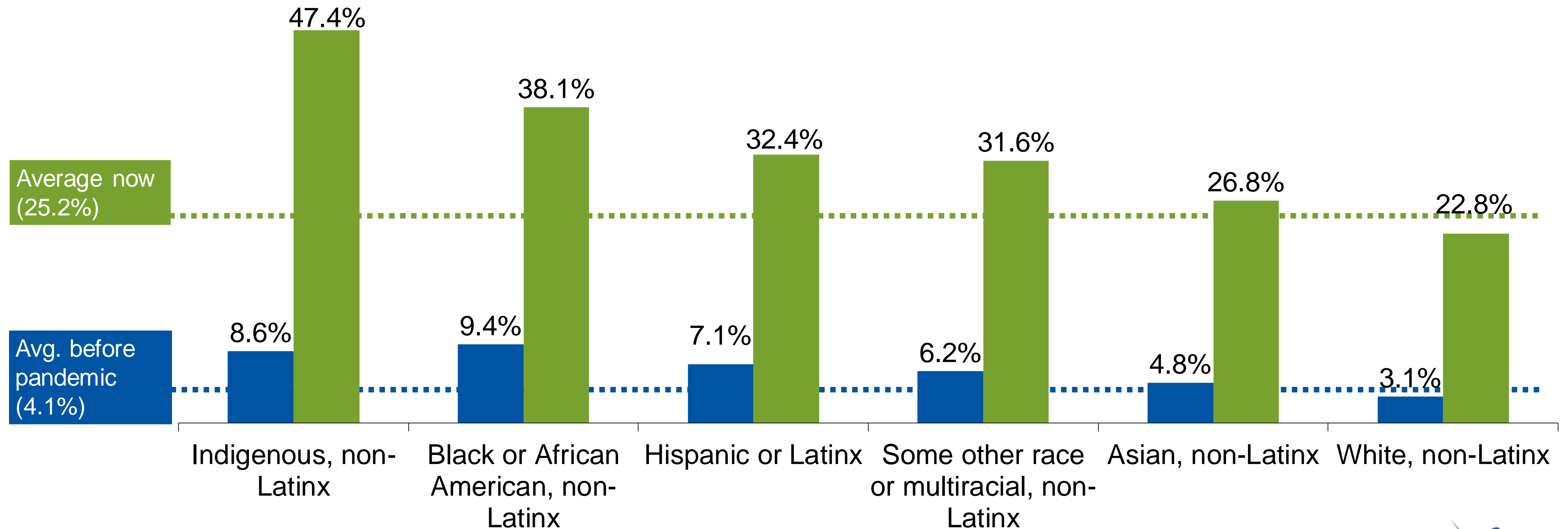
Estimated unemployment by occupation group



Estimates for early May 2019 based on U.S. Census Bureau Current Population Survey data and Minnesota Department of Employment and Economic Development counts of unemployment insurance filings.



Estimated unemployment by race/ethnicity



Estimates for early May 2019 based on U.S. Census Bureau Current Population Survey data and Minnesota Department of Employment and Economic Development counts of unemployment insurance filings.

This analysis assumes that all workers who lose their job are still looking for another one. The “official” unemployment rate does not include people who are not actively seeking work.



The economic impact: Our analytic approach

- Start with survey samples of all households and workers
- Apply occupation-specific job loss rates to Twin Cities region sample
- Subtract estimated lost employment, lost earnings
- Calculate new incomes for workers and households, for varying lengths of economic “shut down”
 - With and without federal CARES Act response
- Calculate:
 - Per capita income
 - Poverty rates
 - Housing cost burden rates

Limitations of our analysis

- Some workers may have experienced income changes, involuntary reductions in work hours
- Others may have found new jobs
- Have not accounted for COVID death/disability or other changes in households' circumstances
- Impact to business owners' incomes is more complicated, and we need more data
- The economic “shut down” will not have a single, simple end-date
- Expect second wave of economic impacts
 - Bankruptcies and business activity that does not come back
 - Further job losses
 - Inflation
 - Changes in rents

COVID-19 Impacts

What impacts will job losses have?

Three scenarios

Business closures end by June 2020

- Most optimistic: lower bound on the economic impacts
- “What damage has the pandemic already done?”

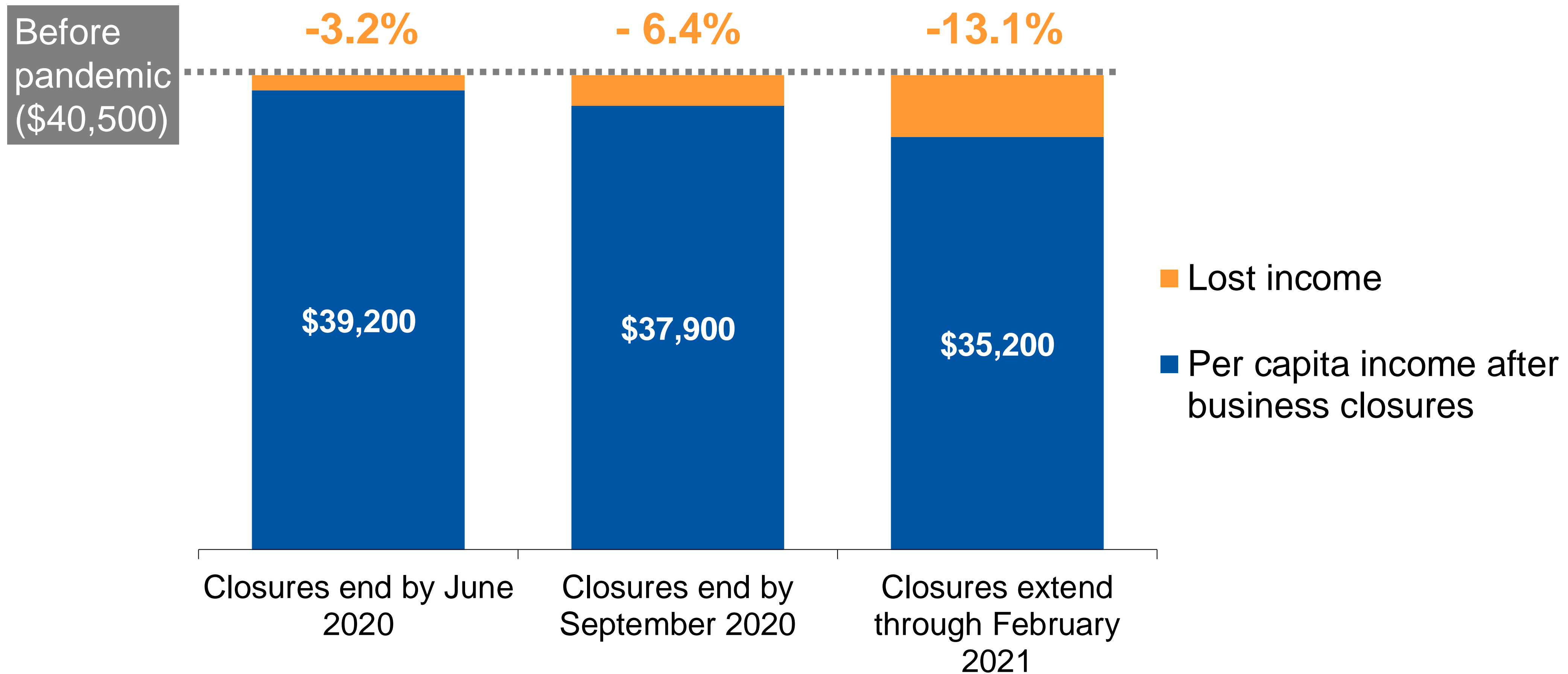
Business closures end by September 2020

- Moderate: somewhere in between optimistic and pessimistic scenarios
- “How might things look if we can adapt over the summer?”

Business closures extend through February 2021

- Pessimistic: upper bound on the first year’s economic impacts
- “What damage could the pandemic do over the next year?”

Changes in per capita income



The federal response

Coronavirus Aid, Relief, and Economic Security (CARES) Act

- Direct cash payments, as much as \$1,200 per adult and \$500 per child
- Expanded unemployment insurance (UI)
 - \$600 per week on top of state UI benefits (only through July 2020)
 - Extra 13 weeks of state UI benefits for eligible workers (through December 2020)
 - Unemployment insurance for workers normally ineligible for state benefits (through December 2020)

Not eligible for UI

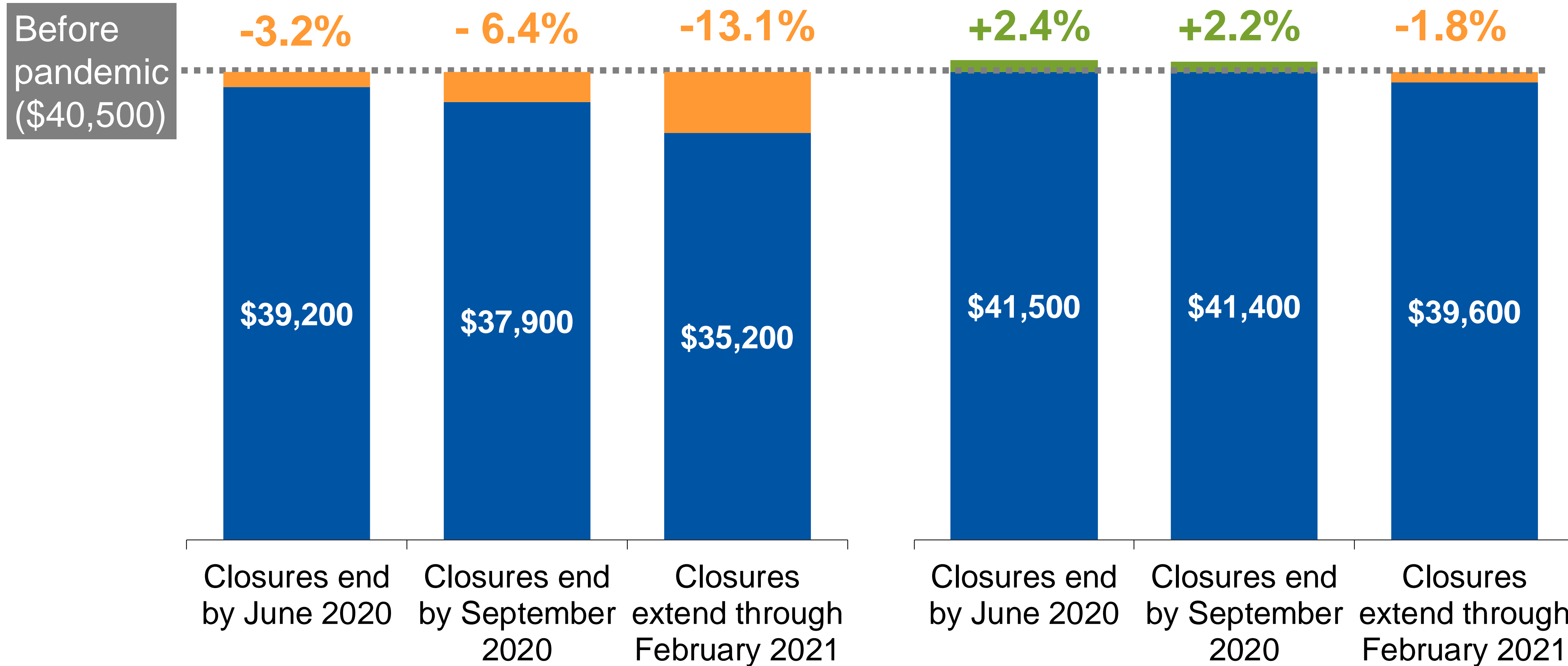
- *Undocumented immigrants*
- *High school students*
- *Temporary workers*
- *Voluntary job-leavers*

Difficulty and delays in obtaining benefits

Changes in per capita income

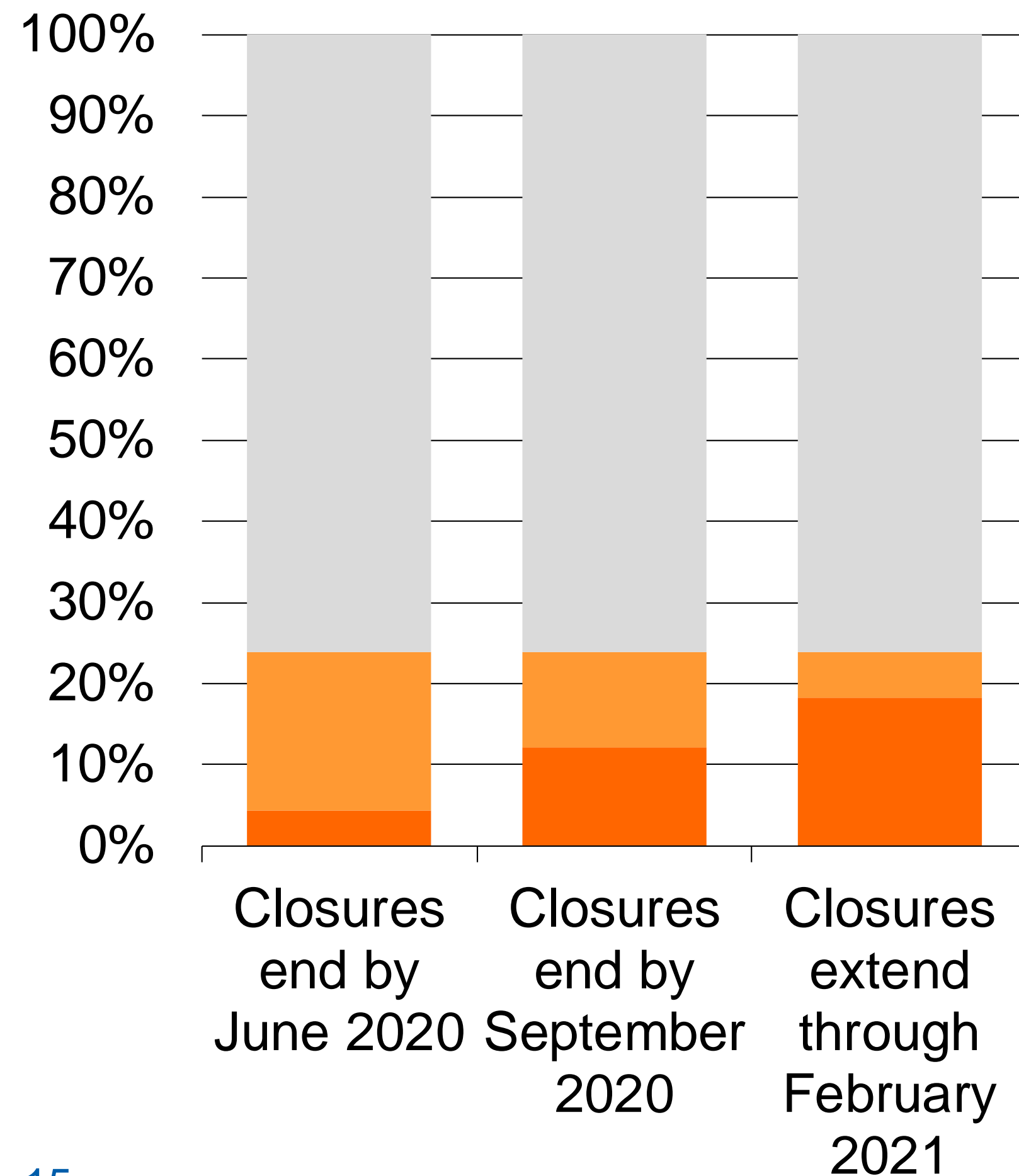
Without CARES Act

With CARES Act

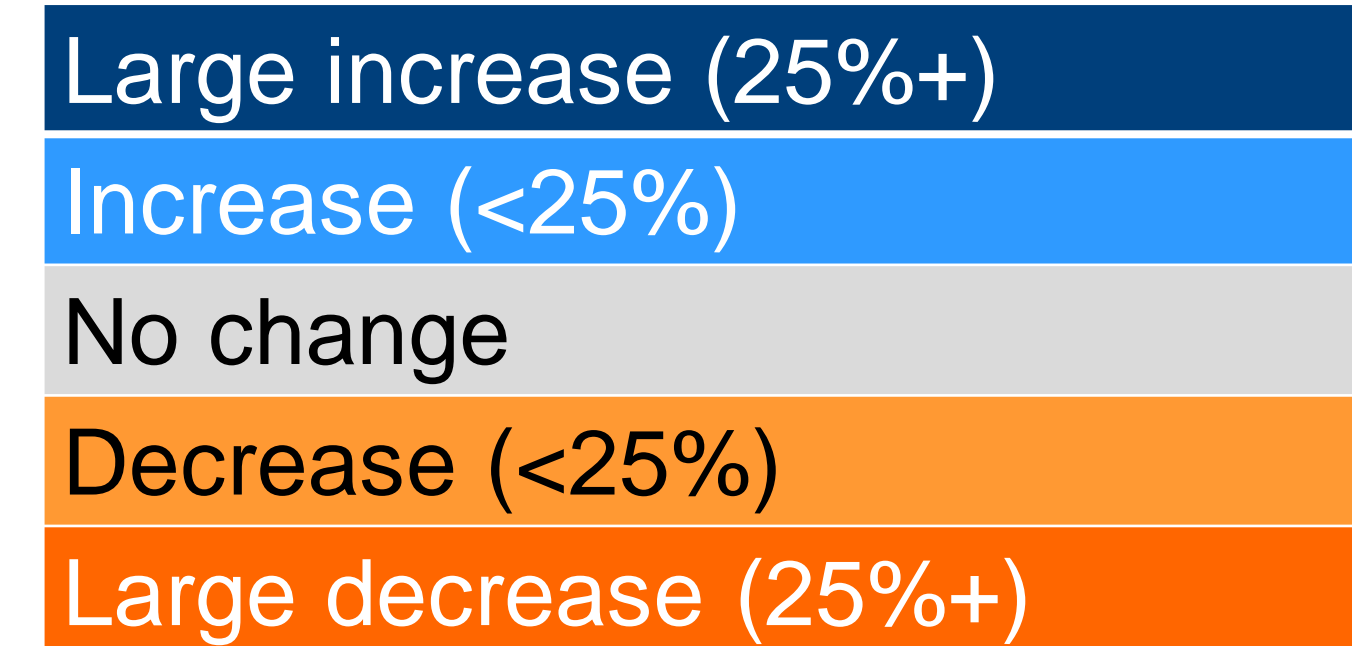
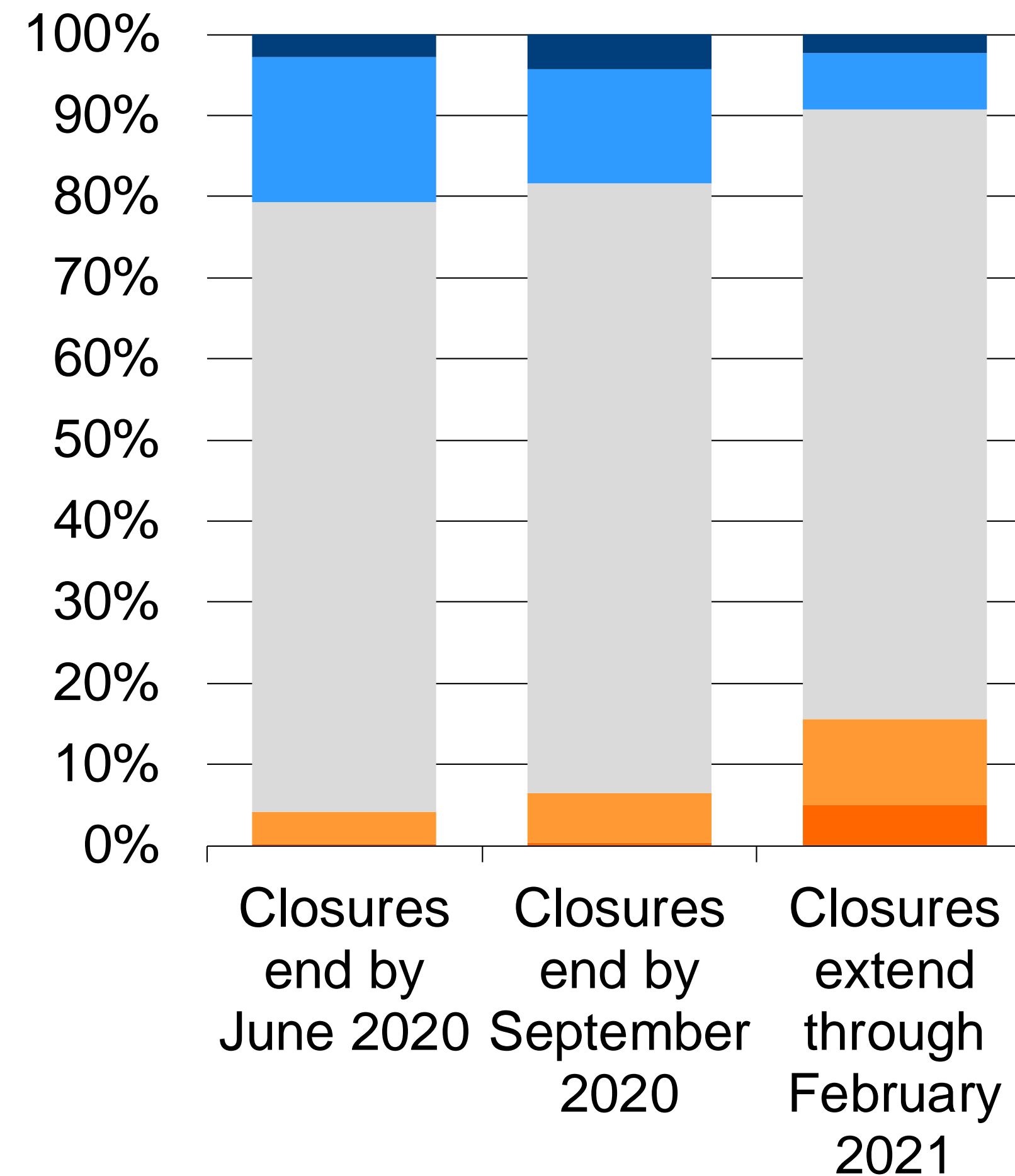


Changes in household income

Without CARES Act



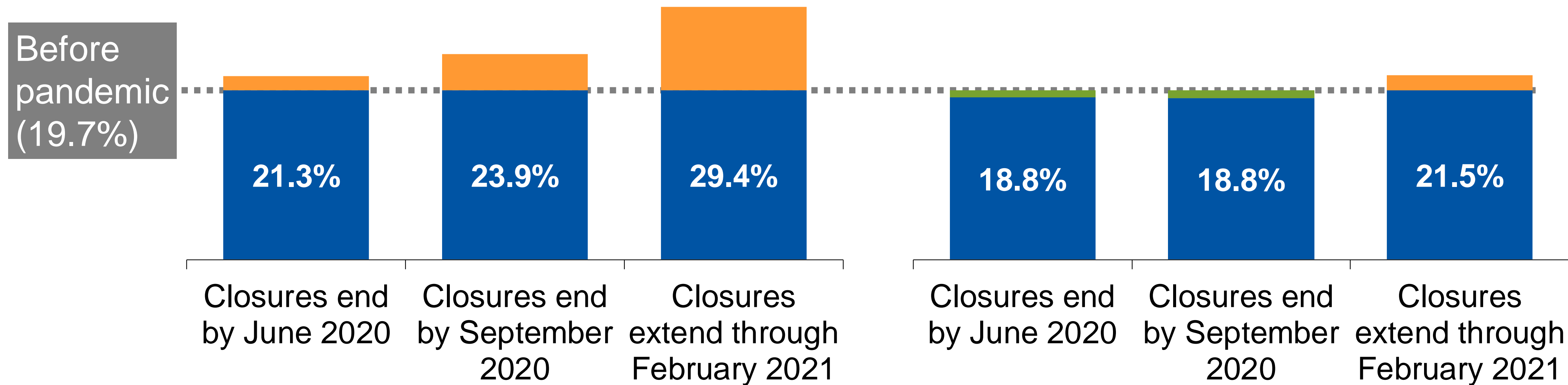
With CARES Act



Housing cost burden rates (homeowners)

Without CARES Act

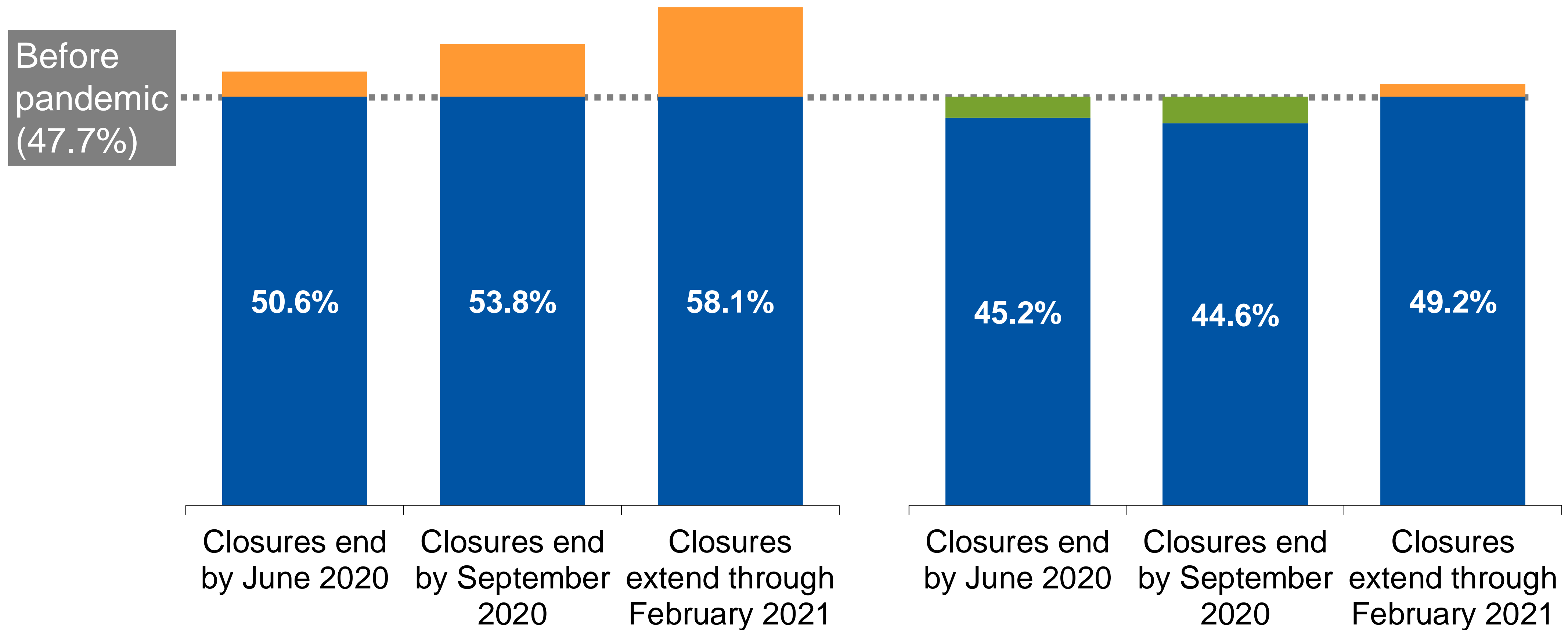
With CARES Act



Housing cost burden rates (renters)

Without CARES Act

With CARES Act



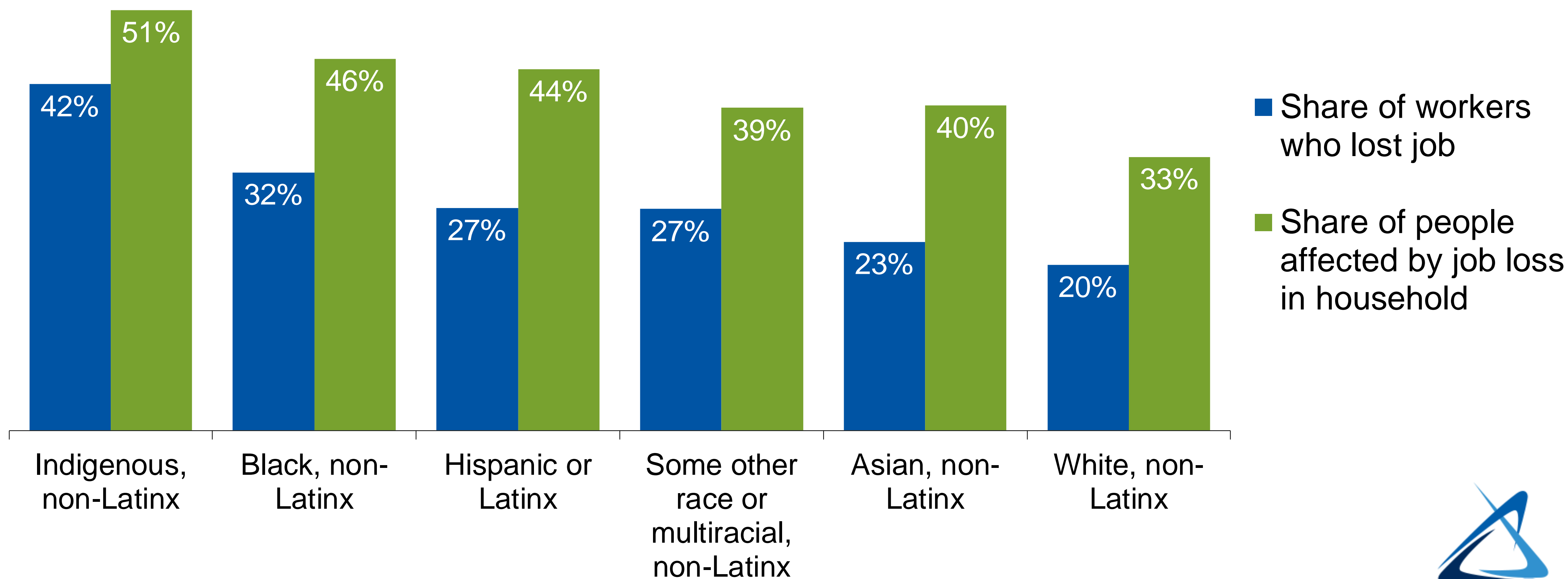
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COVID-19 Impacts

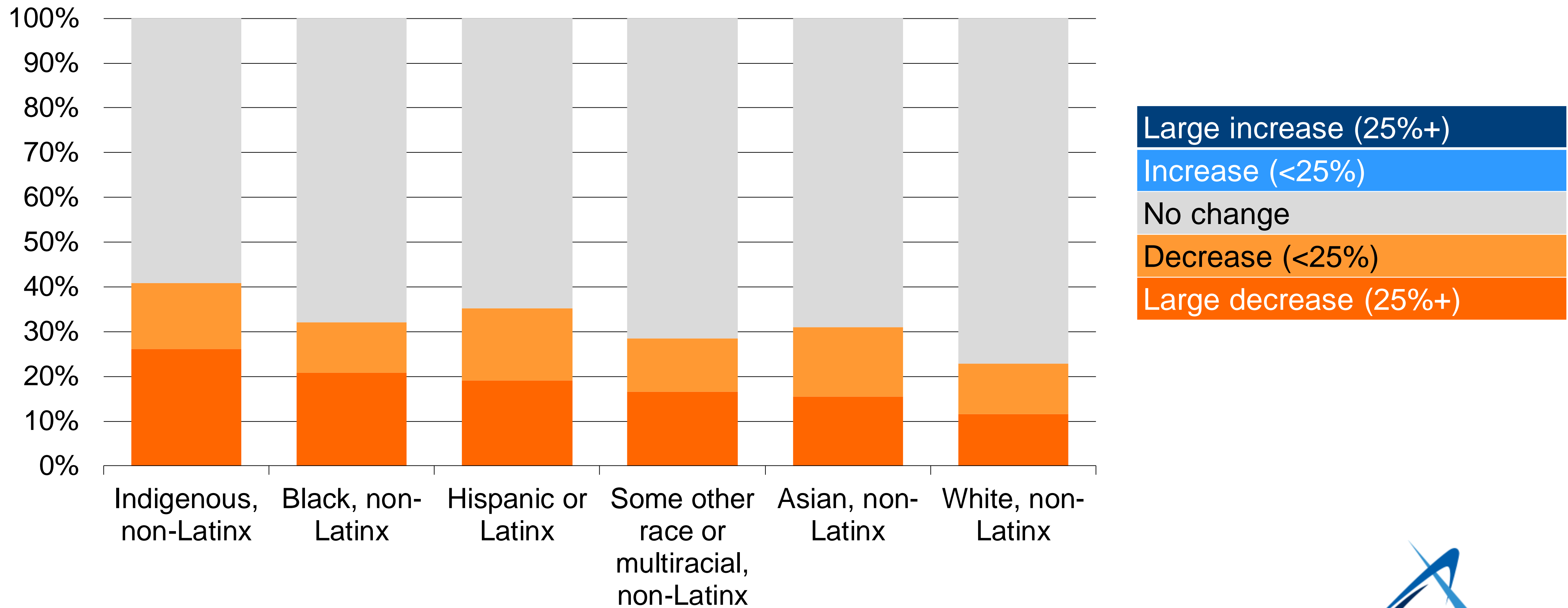
How will disparities by race and ethnicity change?



People of color affected more by job losses

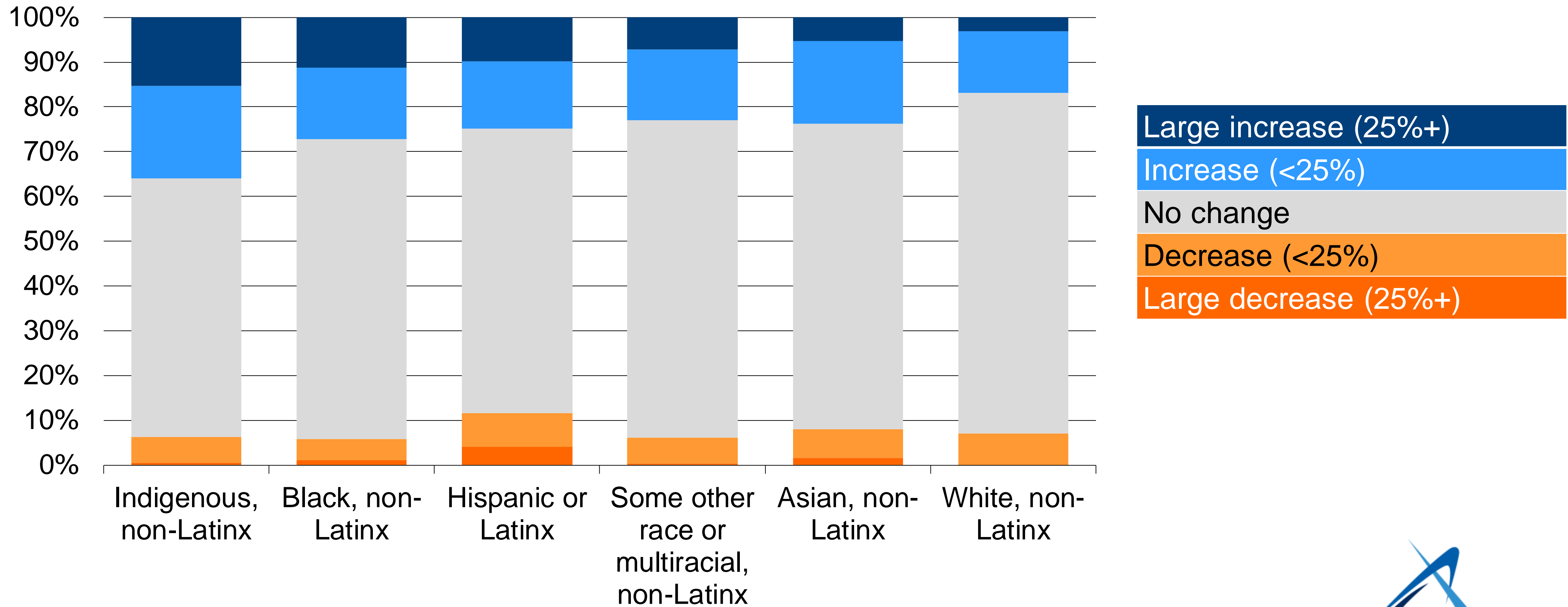


Change in household income (no CARES Act)



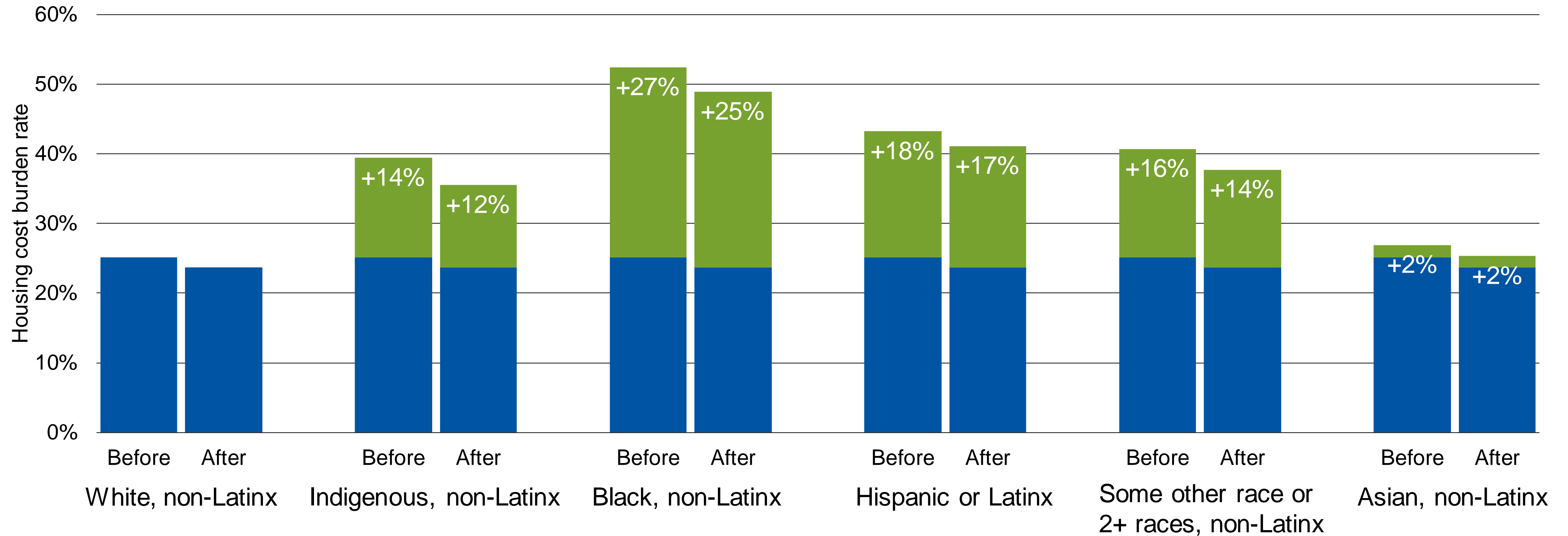
Assumes business closures end by September 2020

Change in household income (with CARES Act)



Assumes business closures end by September 2020 and that all eligible people receive full benefits from federal CARES Act

How will this change disparities in cost burden?



“Before” = 2014-2018 average

“After” = Assumes business closures end by September 2020 and that all eligible people receive full benefits from federal CARES Act

Labels show the difference in each group’s cost burden rate relative to White, non-Latinx households. Cost-burdened households in this chart pay 30% or more of their income in housing costs (on average over next year).

How will all this change disparities?

- Job-loss rates higher for people of color
- The CARES Act appears to reduce disparities slightly (though temporarily)
- Ultimately disparities remain large, and conditions will not improve substantially for people of color
 - Less access to privately provided “safety nets”
 - Greater exposure to health risks
 - Disparities in health outcomes

COVID-19 Impacts

What questions are you left with?

What additional information would help generate ideas for policy remedies?



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