Study underscores need for stimulus support to vulnerable groups

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Workers who are most vulnerable to pandemic layoffs are more likely people of color, underscoring the need for stimulus funding in order to keep racial inequality from growing, according to a new University of

Michigan study.

U-M researcher Brooke Helppie-McFall and colleague Joanne Hsu of Howard University and the Federal Reserve Board were interested in identifying workers most vulnerable to coronavirus-related earnings losses.

They found that workers whose jobs were not essential, but weren't likely to be able to telework, had the highest rate of unemployment, were more likely to be people of color and the sole income-earners in their households, and at the same time, had the least amount of financial cushion to fall back on—either in cash or credit form. Their study was published in the *Financial Planning Review*.

"Our study underscores the need for getting cash to families in these vulnerable positions," said Helppie-McFall, an associate research scientist at the Survey Research Center at U-M's Institute for Social Research. "These are already groups who are more marginalized. Just as COVID has exacerbated racial inequalities with respect to health, such as its death rate and hospitalization rate, COVID is also going to exacerbate racial inequalities with respect to families' finances."

To examine the financial profiles of U.S. families, the researchers drew data from the Survey of Consumer Finances, a survey conducted every three years by the Federal Reserve System's Federal Reserve Board. The survey includes information about family demographics, composition, work income, wealth, spending and debt. This includes how much cash savings a family has on hand, as well as credit available to them through credit cards.

They found that nonessential, nonteleworking workers were both most likely to have the highest unemployment rate during the pandemic and the least likely to have a savings cushion. Typically, people in this

category of work had savings or credit to cover only three weeks of living expenses and were more likely to be people of color. By comparison, teleworkers had savings to cover six weeks of living expenses.

Using guidelines set by the Department of Homeland Security, the researchers split jobs into three broad categories: teleworkers, essential workers and nonessential workers. They used guidelines set by the Department of Homeland Security to categorize essential workers, and data from the Survey of Consumer Finances to determine whether a job was teleworkable.

Nonteleworkable, nonessential jobs included those in the wholesale and retail trade industry, and in hospitality and leisure, but the researchers had to account for variations within industries. For example, some manufacturing jobs were considered nonessential, and some states shut down those operations. But some manufacturing jobs were considered essential.

In 2019, the unemployment rate faced by workers in teleworkable industries was 3.3%. Unemployment rates for workers in nonteleworkable nonessential and essential industries were 3.7% and 3.9%, respectively. By spring 2020, the rate for teleworkable industries had jumped to 12.8%, while in nonteleworking essential industries it had jumped to 17.6%, and 18.3% in nonteleworking nonessential. Occupation-level unemployment rates similarly show that nonteleworking, nonessential workers were the most vulnerable to layoff.

Nonteleworking, nonessential workers were also more likely to be unmarried and not living with a partner, and were more likely to be single parents. Those who were partnered were likely to be partnered with another person in the nonteleworking, nonessential field—and

therefore less likely to be able to rely on their partner's income. Their median wage income was $34,936 compared to non-teleworking essential workers' $46,799 income and teleworkers' $70,855 income.

"Whenever you have a delay in getting stimulus funds or unemployment checks, that's going to be really dangerous for nonessential, nonteleworking households," Helppie-McFall said. "Putting these kinds of numbers on this situation shows you how quickly you need to get cash out to people when there is a crisis, and it helps you understand how big of a deal it might be if you don't."

More information: Brooke Helppie-McFall et al. Financial profiles of workers most vulnerable to coronavirus-related earnings loss in the spring of 2020, *FINANCIAL PLANNING REVIEW* (2021). DOI: 10.1002/cfp2.1102

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