Total payroll employment fell by 13% between February and May 2020, representing just under 20 million Americans. The record economic downturn due to the COVID-19 pandemic has hit some sectors harder than others, and there have been countless stories of how low-paid workers are bearing the brunt of the crisis. Job loss is over 20% higher in the personal care and food industries which make up the lowest end of the income distribution, and where jobs are more precarious and have less opportunity for upward mobility. They are also disproportionately held by younger, often racialized workers.

The current crisis tells an important story about the precarious nature of low-paid work, and the economic vulnerability of workers who hold these jobs. Changes to the labour market over the last 40 years have [concentrated jobs at the top and bottom of the wage distribution](http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.308.299&rep=rep1&type=pdf) in higher-paid knowledge sectors jobs, and in lower-paid service sectors jobs. These changes have meant that a greater proportion of Americans hold jobs that do not provide the income needed to build a decent life and are least able to ensure financial hardships in economic downturns.

The federal government acted swiftly to implement the Coronavirus Aid, Relief and Economic Security (CARES) to mitigate the economic impacts to these workers in the short-term. With benefits set to expire at the end of July and continued high jobless rates, more emergency measure will surely be needed. However, the vulnerabilities that the pandemic exposes also raises a larger conversation about the types of policy reforms that are needed to ensure economic security for low-income workers.

One policy that has traditionally buffered the economic hardship of low-paid work is the Earned Income Tax Credit (ETIC), an in-work tax credit that supplements earnings for many low- and moderate-income workers. In 2019, roughly $70 billion dollars was spent through the EITC program, making it the largest transfer program for working families. In 2018 the EITC lifted [about 5.6 million people out of poverty, and reduced the severity of poverty for another 16.5 million](https://www.dropbox.com/scl/fi/10q2u7qqa2jri84lje8lp/COVID-unemployment-and-income-supports.paper?dl=0&rlkey=woctmme5y5mnh2mhsddbq59ht). There is evidence that the EITC program results in improvements in child development and health behaviors among adults, as well as reductions in food insecurity. [DESCRIBE HOW EITC WORKS] For example, the representative family of four with children had a yearly wage/salary income of 22,261 USD and recevived and EITC benefit of 2,951 USD, which corresponds to more than a month of earnings.

Thanks to its yeraly regularity, the EITC has helped millions of families to better plan their consumption and savings throughout the year. On the other hand, the unceratin incusivity and duration of the Coronavirus economic relieves may negatively affect the future expectations of many families. This will not only turn into a challenging domestic budget planning, but it will also influence the evolution of health and economic positions.

The EITC has enjoyed strong bipartisan support and has been praised for the role it has played in reducing poverty. Along with another round of emergency measures, reforming the EITC to address gaps raised by the current crisis and the likelihood of a slow economic recovery are another tool to ensure that economic inequalities do not widen. [Policymakers](https://www.hassan.senate.gov/news/press-releases/senators-hassan-and-shaheen-push-for-tax-credit-expansion-for-hard-working-families-in-next-covid-19-relief-package) and [advocates](https://itep.org/adding-flexibility-to-make-the-eitc-work-during-the-pandemic/) harsve suggested several reforms to adapt to the current crisis. Benefits from the ETIC are only available to individuals who are able to find work. With the current unprecedented declines in employment, there are likely to be substantial reductions in EITC benefits in 2021, when benefits are disbursed as a tax refund. Data from a national representative survey showed that approximately 20% of EITC beneficiearies in 2019 lost their jobs between March and April, which accounts for approximately 4 million working families. Changing the generosity of the phase-in period so that workers would receive more benefits with fewer hours of work would preserve the work incentives of the EITC but allow individuals who have lost work during the pandemic to receive a greater amount of benefits. Increasing benefit rates for low-income childless workers and expanding the age cut-offs to younger workers who have yet to have a foothold in the economy and are likely to face a lagging job market will broaden the impact of these changes.

Our research indicates that these changes are likely to have the greatest benefit for those who have lost work Occupations with the highest proportion of job loss are also the occupations where workers tend to benefit the most from the EITC, and unemployment among EITC households was approximately three times higher in April 2020 compared to April 2019.

While we cannot fully predict how interactions between job losses and the tax and benefit system will play out, these trends should receive the attention of policymakers given the critical assistance that EITC benefits provide to low-income workers.

[INSERT FIGURE 1]

Many analysts have expressed hope that employment-related social inequalities exposed by COVID-19 will lead to reforms to social benefits and insurance in the United States. Alongside other reforms, an expanded EITC can be an effective part of this effort, [and direct benefits to low- and moderate-income earners](https://www.taxpolicycenter.org/taxvox/using-eitc-help-fight-economic-slowdown) who are likely to experience the greatest harms from the pandemic.

FIGURE 1



*Average 2019 EITC payment vs % Difference in employment between February and April 2020 by occupational category. Source: Current Population Survey.*