

# The COVID-19 Crisis & Inequalities in the US 2022

## Sustainable Sciences 1

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In the context of a post-COVID world, economic inequality has become an even bigger challenge in the United States, especially with regards to its complex racial and ethnic historical background. The scope of this paper is to address this societal issue by focusing on the unequal income distribution of racial and ethnic minorities and on the extent of the repercussions of COVID on the gig economy.

To help reduce these inequalities, we suggest a few policies: the government could encourage the creation of trade unions as they have proven to be effective in enhancing the workers' bargaining power. The government could also facilitate access to higher education to improve the endowments of the least well-off. To implement these measures, we plan to reform the tax system.

## Motivation & Introduction

Since the end of the 70s, the United States has seen an increase in economic inequality with a significant shift in political power against workers and in favor of their employers. This increase has been even greater for racial and ethnic minorities: Black, Indigenous, and People of Color (BIPOCs) and Hispanics. COVID put forward the vulnerability of these groups in the US economy. These pre-existing weaknesses can be explained by the discrimination and racism legalized and institutionalized through historic oppressions such as slavery, segregation, and cultural assimilation. An extreme lack of equal opportunities between BIPOCs and White people in the past results in economic inequalities between racial and ethnic groups today. According to the Equal Employment Opportunity Commission, race discrimination represents 35% of the charges filed with the Commission. The issues most frequently alleged in these charges are discharge, terms and conditions of employment, and harassment. Knowing how exacerbated racial and economic inequalities are, it is crucial to protect BIPOCs to reduce inequalities in the United States.

Research on this topic was never scarce, and ever since the pandemic hit the United States, more papers and data has been published on the issue. Hence, the conclusions drawn by our study add to a list of flourishing studies conducted on the subject.

It is known that Covid-19 increased inequality across the US, but we can wonder why. More precisely: **Why did the COVID crisis further deteriorate the economic situation of racial and ethnic minorities?** This is the subject of our research and the basis of our policy proposal.

# COVID Crisis Exacerbating Inequalities in the US

Hypothesis: We can assume that the reason why COVID exacerbated inequalities which racial and ethnic minorities greatly suffer from, is due to them working in sectors that were severely affected by the crisis.

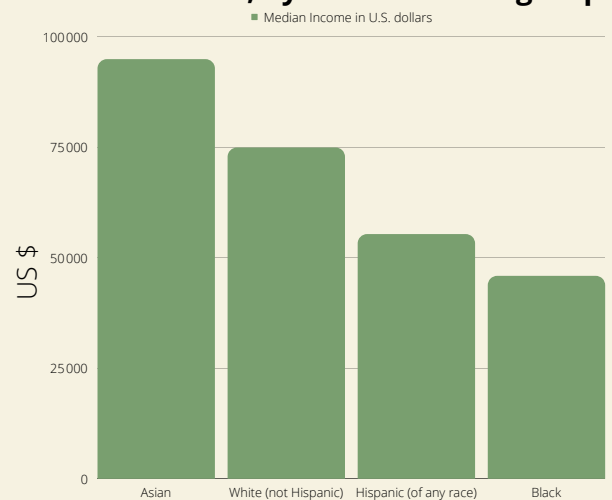
## Overrepresentation of Racial & Ethnic Minorities in the Secondary Labor Market

BIPOCs have to face challenges that are all linked to discrimination and racism. According to the United Nations, “discrimination in the United States permeates all aspects of life and extends to all communities of colour”. Labor market discrimination is expressed through unequal treatment of equally productive and skilled people. This implies that inequality in employment, education, occupation, and income vary between races. Here, we will focus on two aspects: occupation and income.

Figure 1 (see Appendix) shows the proportion of employed people by occupation, race, and Hispanic/Latino ethnicity in 2019. About 23% of Blacks and Hispanics work in service whereas about 15% of their White and Asian counterparts work in this sector. On the other hand, 57% of Asians worked in management, compared with 38% of Whites, 26% of Blacks, and 19% of Hispanics. BIPOCs seem to be overrepresented in the service sector and underrepresented in management.

The median household income in the US in 2020 by ethnic group is addressed in Figure 2. Asian household earned almost \$95,000 during that year, followed by White households with about \$75,000. Hispanics and Blacks have the lowest median household income with respectively \$55,321 and \$45,870. Knowing that in 2020, the median household income in the United States for all BIPOCs was \$67,521, we can conclude that Black and Hispanic families are on the lower end of this spectrum.

Figure 2: Median household income in the US in 2020, by race or ethnic group



Source: Statista Research Department

Lastly, based on Figure 3 (see Appendix), adult Hispanics are more likely than other racial or ethnic groups to have worked as a freelancer: compared to 20% of Black adults, 19% of Asian adults, and even smaller proportions of White people (12%), 30% of this racial and ethnical group has ever made money using an online gig platform. When it comes to earning money through two or more sorts of gigs, there are additional variances. BIPOCs gig platform workers are more likely than their White counterparts to have earned money from a variety of freelance gigs (48% vs. 30%).

Overall, racial and ethnic minorities are overrepresented in the secondary labor market, where earnings and employment stability are both low.

# The Gig Economy, Highly Affected by COVID-19

People working in service sectors have either lost their jobs, had their hours reduced or their pay cut. With physical separation, reduction of non-essential operations and limited contact fundamental to protecting human health, most service businesses closed. Many employees had to leave their jobs due to reduced demand or were dismissed by their employer in anticipation of budget shortfalls. As a result, public sector workers across the US have been faced with deep cuts and layoffs, leaving workers even more understaffed and overworked by the pandemic. About 815,000 jobs have been lost in the US public sector since the start of the pandemic and the recovery of public sector employment is still lagging behind the private sector's.

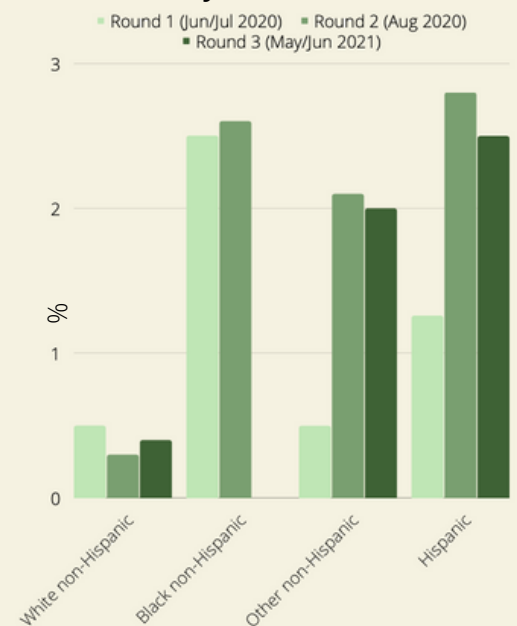
Figure 4 (see Appendix) shows the number of jobs considered vulnerable during the crisis. We can see that the food and beverage, the clothing and retail, and the support and accommodation services were the most affected. It is also notable that this is mainly a concern for low-wages jobs. Figure 5 (see Appendix) proves indeed that the service and public sectors have been affected by job losses, reductions in pay, and in working hours. According to Gallup's Survey, service workers have suffered much more from these during COVID compared to office workers.

In addition, a large part of BIPOCs was unemployed due to exposure concerns. Figure 6 shows that minorities were unable to work due to them or their family members having the COVID. What is noticeable is that they were impacted by 2% more than the Whites. These minorities mostly work in the service sector and in the secondary labor market, so they were more exposed to meeting potentially contaminated people. As the figure shows, those jobs had a slightly higher risk of the worker being infected and dying from Covid.

Moreover, in the US, unemployment and health insurance are correlated. Laid-off workers have had limited access to unemployment benefits and health insurance during the outbreak. As we can see on the pie chart from Figure 7 (see Appendix), unemployed workers are more likely to not have health insurance, whose usefulness has been proven many times, especially during the pandemic crisis. As it has been seen previously, BIPOCs are the ones who are the most subject to licensing as they work in the secondary labor market, most affected by the layoffs and reduced pay. By extension they were the ones most likely to be uninsured.

These basic findings are consistent with research showing that such jobs, and thus BIPOCs, are the most directly affected by the virus in the US which shows an alarming increase in inequalities. These results provide a basis from which a few proposals to help reduce those inequalities could be elaborated.

Figure 6: Percentage unable to work due to personal or family member illness with COVID



Source: National Center for Health Statistics, Research & Development Survey, RANDS during COVID-19, 2020-2021

# Policy Proposals

## 1 - Reinforce Trade Unions & Insurances

To address this problem of worker vulnerability within BIPOCs which was amplified by the pandemic, the US government could first implement policies to encourage the establishment of trade unions. In 2016, US had the 5th lowest union density of the 36 OECD countries.

The reinforcement of trade unions could put weight back on the scales for workers by changing the structural imbalance of power between them and their employers. They could ensure better protection of BIPOCs within the workforce. It could also improve the workers' job security and bring about further negotiations on matters such as better working conditions, an increase in wages and short time working compensations or even the amendment of health insurances.

This is essential as American access to healthcare is unequal and mostly dependent on employment-based coverage, leading to complications once people become unemployed or change professions. The pandemic left 7.7 million workers without medical coverage struggling to find affordable alternatives. Reform tax treatment to introduce subsidies for a national or federal healthcare system could help tackle the problem. The rise in job exit rates also highlights the need to assist unemployed workers, and this could be done thanks to an increase in unemployment benefits.

However, trade unions and the notion of federal healthcare insurance are not very popular in the country, so it would perhaps be judicious to organise campaigns to raise awareness and explain the approach.

## 2 - Facilitate Access to Tertiary Education

Another way to address the issue would be for the government to facilitate access to higher education to work towards equal opportunity for students across the US. And this especially since the American higher education system displays an increasingly severe cleavage between social classes. Indeed, most students coming from low-income or middle-class households leave before getting a degree and with crippling debts because of tuition fees. Only 10% of students in the bottom quarter of income distribution succeed in getting a degree.

Therefore, the US government could equalise funding and resources across colleges and reassert the worth of community colleges by for example including them in the State's strategies. Indeed, community colleges are often looked down upon due to stigma, but they represent the perfect opportunity to meet the demand for low-cost tertiary education. Innovating certain aspects of this system will hopefully make the dividing line between them and their costly equivalents fade away while allowing underprivileged

students to pursue their professional aspirations. An increase in need-based scholarships to cover for both the working and middle-classes could also encourage upward social mobility.

### 3 - Amend the Tax System

To finance these projects, the first challenge for the government would be to tax the richest. Tax brackets in the U.S. are progressive and increase as one's income grows. However, their structure make it easy for the rich to pay little compared to their entire wealth. A better way to tax them would be to push up the top marginal rate that currently starts at about \$500 000.

In the annual U.S. budget, a minimum income tax for billionaires could be implemented. The 700 wealthiest Americans would be targeted by establishing a minimum tax rate of 20% on incomes over \$100 million annually. For instance, Tesla CEO Elon Musk would have to pay an additional \$50 billion in taxes. A study conducted by the US administration claimed that 400 billionaire households paid an average of only 8.2% tax on their income between 2010 and 2018, a rate often well below that of many American households. This new measure could raise up to \$360 billion in new revenue over 10 years. In addition, the government could increase the taxes on properties since properties such as mansions are difficult for owners to hide.

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### Further Research & Conclusion

Several limits exist to our policies proposals. To begin with, the political and socio-economic context must be meticulously studied to effectively change the tax brackets, to know the extent to which property taxes are effective, and to limit negative reactions from the general public. We recommend assessing their feasibility, and this could be done by surveys and the studies of the strengths and weaknesses of previous economic policies aiming for less inequality.

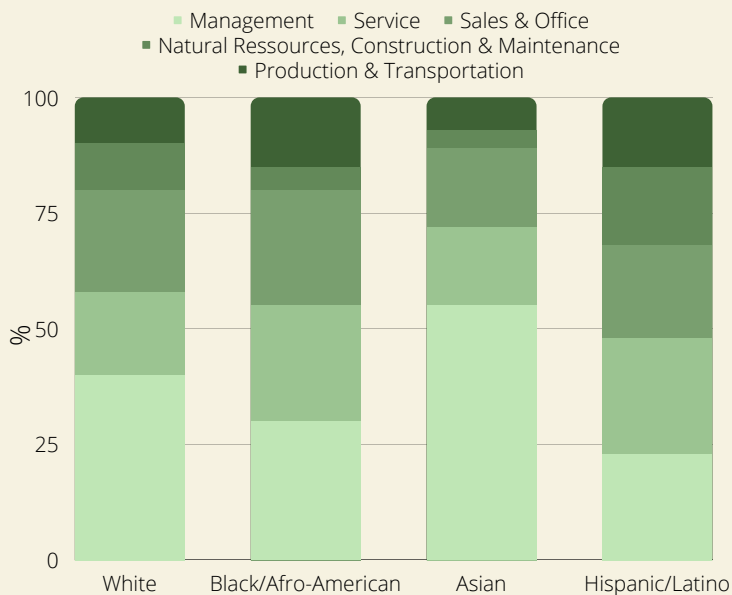
Moreover, additional precise data regarding the gig economy would be useful to better understand the needs of the concerned individuals and adapt our policies to the issues they have to deal with. Ensuring a better protection of gig workers means making sure no racial and ethnic minority is left behind. Black, Asian and Hispanic workers appear to be prioritized in research that is done on economic inequality in the US, while Native Americans and Pacific Islanders seem to be neglected. We encourage further research on the effects of COVID-19 on these minorities, and more broadly on the discriminations and racism they have to face. Other minorities, encompassing gender, sexuality and religion, as well as disabled folks and women have also been deeply impacted by the pandemic. We believe that economic inequality is an issue that has many dimensions, which must all be studied in order to make the US a more equal country.

Our conclusions add to a growing corpus of research on the subject and suggest that we still have a long way to go in order to achieve equality amongst racial and ethnic groups.



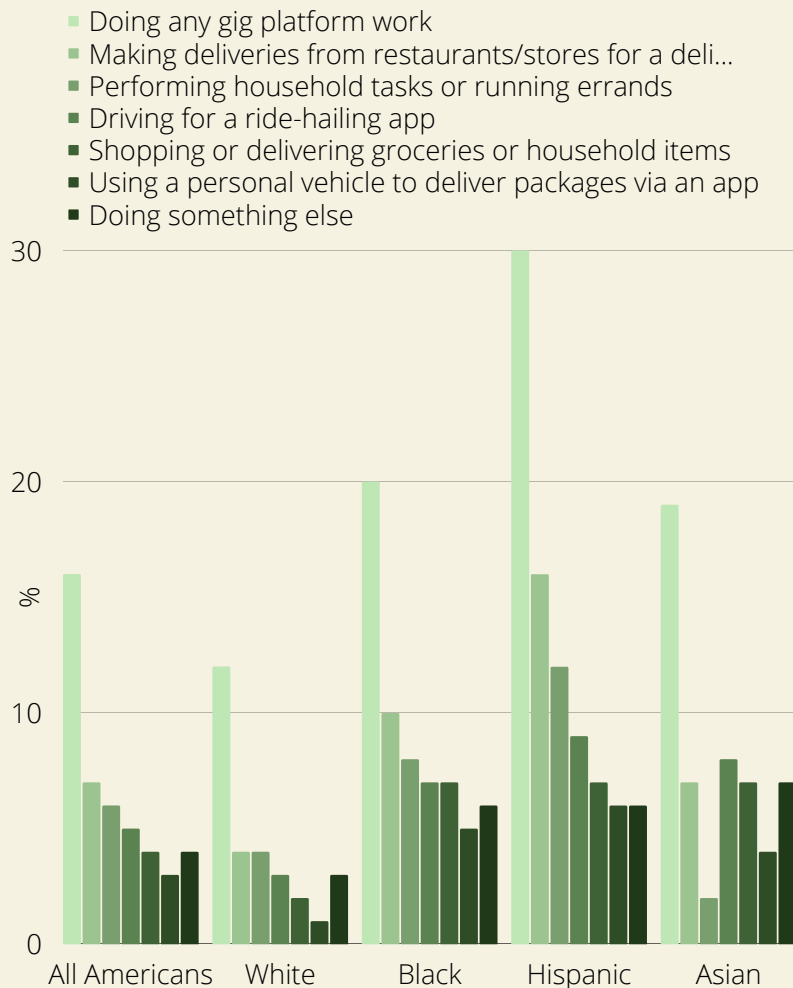
# Appendix

**Figure 1: Employed people by occupation, race, and Hispanic or Latino ethnicity, 2019 annual averages.**



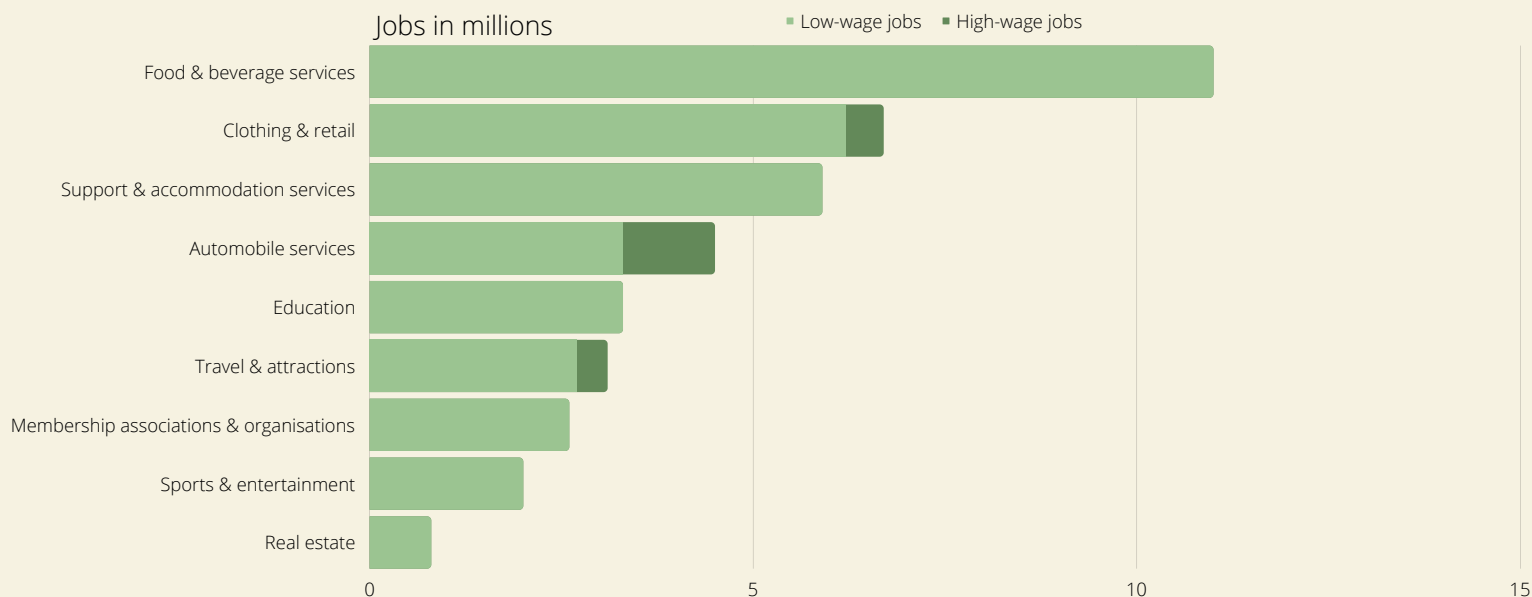
Note: People whose ethnicity is identified as Hispanic or Latino may be of any race. Data may not sum to 100 percent because of rounding.  
Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS)

**Figure 3: Proportions of U.S. adults who claim to have ever earned money by doing gig work**



Source: PEW Research Center

**Figure 4: The vulnerable jobs to layoffs during the Covid-19 pandemic in the USA**

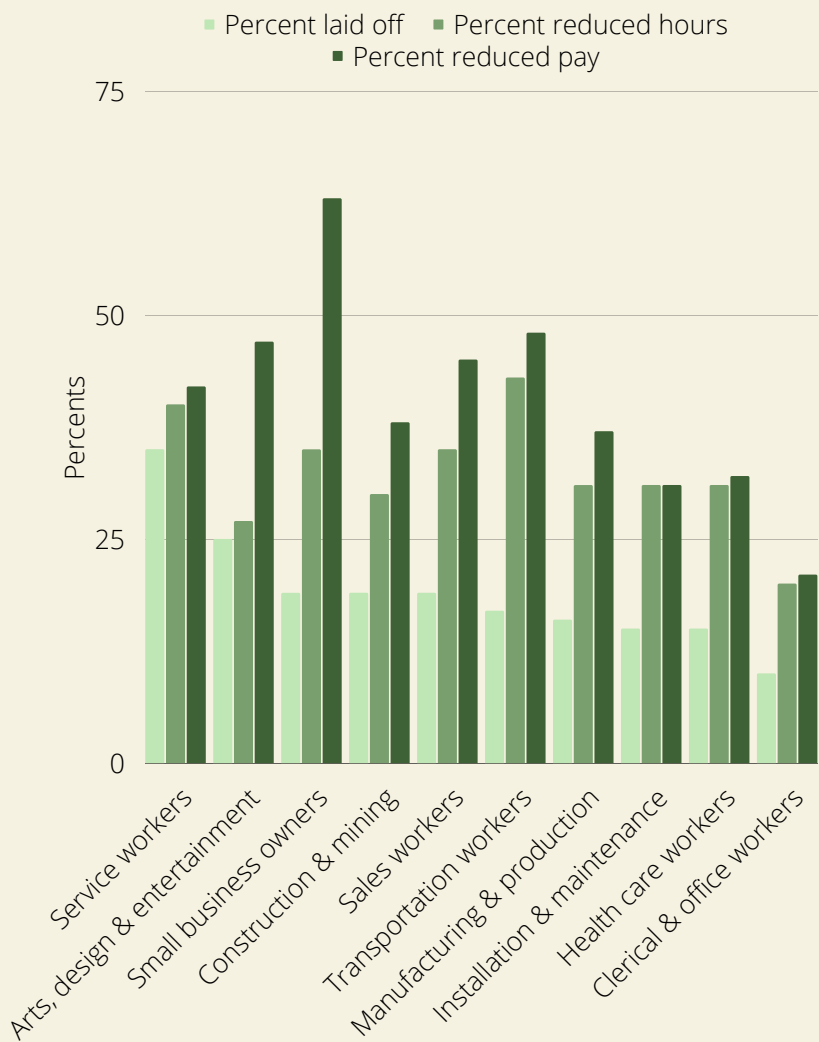


Note: "Low income" jobs are defined as making a weekly income of less than \$801.47. Values are rounded

Source: US Private Sector Job Quality Index

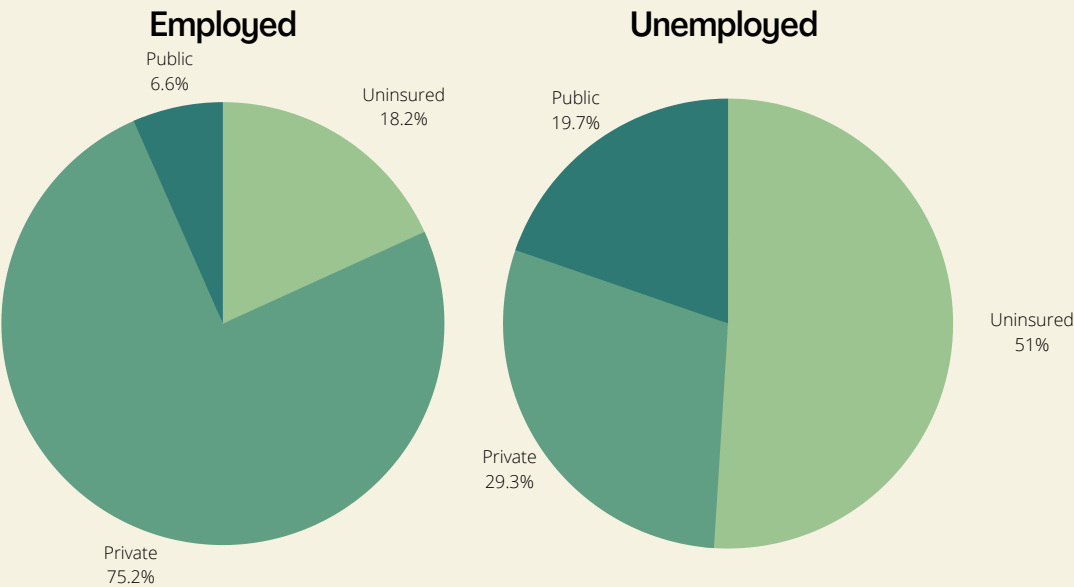
# Appendix

Figure 5: The occupations hit the hardest by Covid the USA



Source: Gallup's COVID-19 Tracking Survey

Figure 7: The correlation between unemployment and health assurances



Source: CDC/NCHS, National Health Interview Survey

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