

The COVID-19 crisis and the US labour market: Rising inequality and precariousness in perspective

By [Christophe Blot](#)

In the United States as in France, the COVID-19 crisis has led to numerous measures restricting economic activities intended to limit the spread of the virus. The result will be a fall in GDP, which is already showing up in figures for the first quarter of 2020, and which will be much steeper in the second quarter. In a country noted for its weak employment protection, this unprecedented recession is quickly having repercussions on the labour market, as reflected in the rise in the unemployment rate from a low point of 3.5% in February to 14.7% in April, a level not seen since 1948. As [Bruno Ducoudré and Pierre Madec](#) have recently demonstrated in the case of France, the current crisis in the United States should also result in heightened inequalities and insecurity. And the shock will be all the greater in the US since the social safety net is less extensive there.

In the United States, the Covid-19 restrictions were set not at the Federal level but by the various States at differing times. The vast majority of States did decide however to close schools and non-essential businesses and to encourage people to stay home. The lockdown was thus imposed by California on March 19, followed by Illinois on March 21 and New York State on March 22, but South Carolina didn't follow until April 6. North Dakota, South Dakota, Arkansas, Iowa and Nebraska have taken no action, and three other States – Oklahoma, Utah and Wyoming – applied measures only in certain counties, and not State-wide. However, by early April a large part of the country had been locked down, with a varying degree of strictness, affecting between 92% and 97% of the population[\[1\]](#).

Which employees have been hit hardest by the crisis?

According to a [survey](#) by the US Bureau of Labor Statistics, almost 25% of employees worked from home in 2017-2018. However, some employees said they could have stayed at home to work but did not necessarily do so during the reporting period. With the COVID-19 crisis and the incentives to modify the organization of work, we can therefore consider that almost 29% of employees could stay at home during the lockdown [\[2\]](#). Furthermore, as the survey carried out for France highlights, the implementation of teleworking is more

widespread among employees in management jobs and commercial or financial activities. In 2017-2018, 60% of these people could have managed to work from home. In contrast, fewer than 10% of workers in agriculture, construction, manufacturing or transport services would have been able to telework during the crisis. Not surprisingly, the survey also shows that the employees able to telework are also those at the top of the wage distribution. For the top quartile, 61.5% of employees could work at home compared with fewer than 10% for employees in the bottom quartile.

Mirroring these elements, a more recent [study](#) analyzed which jobs would be most affected by the lockdowns and in particular by the closure of non-essential businesses [3]. Six sectors are particularly exposed. Logically enough, these include bars and restaurants, transport and travel, entertainment, personal services, the retail trade and some manufacturing industries. Based on employment data for the year 2019, these sectors represent 20.4% of total employment. With more than 12 million jobs, the bar and restaurant sector is being hit hardest. This survey also shows that the most exposed employees generally receive below-average pay. They are particularly concentrated in the two lowest wage deciles. For example, the wage bill for bar and restaurant workers represents barely 3% of the total wage bill but more than 8% of employment. These people usually work in companies

with fewer than 10 employees. This dimension is all the greater in the United States since access to health insurance is often linked to the employer, whose obligations for insurance provision depend on how many employees they have. Finally, by crossing the distribution by sector and geography, it appears that Nevada, Hawaii and to a lesser extent Florida (23.7%) concentrate a larger share of these sectors, and therefore of the exposed jobs [\[4\]](#). Conversely, Nebraska, Iowa and Arkansas are among the States where these sectors account for a smaller share of employment [\[5\]](#). These three States have also not adopted lockdown measures and should therefore be relatively spared from the rise in unemployment.

Unemployment statistics for the months of March and [April](#) confirm this outlook. In one year, the unemployment rate increased by 4.8 points for those in management jobs or commercial or financial activities, while, over the same period, the rate rose by 23 points for service jobs and almost 15 points for employees in production. The geographic disparities are also significant. In California and Illinois, the first States to implement a lockdown, the unemployment rate rose 11.3 and 12.2 points, respectively, in one year. Conversely, the States that have not enacted lockdown measures are among those where the unemployment rate has risen the least over the

year. The increase reached 5.2 points for Nebraska, 6.7 points for Arkansas and 7.5 points for Iowa, for example.

The structure of employment is, however, a key factor determining the variation in unemployment. Despite fairly close starting dates for the lockdowns in Connecticut and Michigan, the unemployment rate rose only 4.2 points in the former versus over 18 points in industrial Michigan. The statistics also confirm the exposure to the shock of Nevada and Hawaii, which recorded the two largest increases: 24.2 and 19.6 points respectively, while Minnesota, with a very low exposure, saw its unemployment rate rise by only 4.9 points, one of the smallest variations since April 2019. Likewise, the impact has been relatively softer in the District of Columbia, where the unemployment rate rose by 5.5 points.

Health under threat?

The deteriorating state of the labour market will be accompanied by a deterioration in living conditions for millions of Americans, especially if the end of the lockdowns is not synonymous with a rapid rebound in activity, as Jerome Powell, Chairman of the Federal Reserve, now fears. This would result in increased poverty for households that have lost their jobs. Previous analyses indicate that workers at the bottom of the distribution will be the most exposed, especially since,

despite the [measures taken to extend unemployment insurance](#), the duration of benefits remains overall shorter in the United States. To deal with the crisis, the Federal government has spent USD 268 billion (or 1.3 percentage points of GDP) on unemployment insurance to extend the duration and amount of compensation. This is in addition to the tax credit of up to USD 1,200 for households without children [\[6\]](#). The government has thus chosen to support incomes temporarily, but unlike the partial unemployment schemes in force in France and in many other European countries, it has not protected jobs [\[7\]](#). The flexibility of the US labour market could, however, prove more advantageous in so far as the recovery is rapid and differs depending on the sector. Employees actually do not lose much of their skills and can more easily find a job in another business sector. But a protracted crisis associated with persistently higher unemployment would greatly increase poverty.

In addition, access to health insurance is also often linked to employment. Indeed, 66% of insured Americans are covered by their employer, who is obliged to offer health insurance in companies with more than 50 employees. The corollary is that many workers risk losing their health coverage at the same time as their jobs if they cannot pay the portion of the insurance costs previously borne by their employer. As for employees of

small businesses exposed to the risk of closure and unemployment, it is very likely that they will no longer have the means to take out a private insurance policy on their own. Already, in early 2019, just over 9% of the population had no health coverage. While this rate had dropped sharply since 2010 and the “Obamacare” reform, the annual [report](#) of the US Census Bureau published in November 2019 estimated that more than 29 million people had no coverage in 2019, a figure that has risen somewhat since 2017. The coverage rates also show strong regional disparities, which is due to the demographic structure of the States.

Although part of the economic support plan is devoted to food aid [\[8\]](#) and some health expenses, the COVID-19 crisis will once again hit the most vulnerable populations and widen inequalities that are already significant and being deepened by the recent tax reforms of the Trump administration.

[\[1\]](#)

In terms of GDP, the share of States that have imposed lockdowns is in much the same proportions.

[\[2\]](#)

Note that this survey does not show a significant difference between men and women, even if women have a slightly fewer opportunities for teleworking: 28.4%

against 29.2% for men.

[\[3\]](#)

See Matthew Dey and Mark A. Loewenstein, "[How many workers are employed in sectors directly affected by COVID-19 shutdowns, where do they work, and how much do they earn?](#)", *Monthly Labor Review*, U.S. Bureau of Labor Statistics, April 2020.

[\[4\]](#)

In Nevada, the exposed sectors represent 34.3% of jobs. This figure also exceeds 30% in Hawaii and is 23.7 % in Florida.

[\[5\]](#)

This is also the case of the District of Columbia due to the large presence of Federal employees.

[\[6\]](#)

This amount is granted to households receiving less than USD 75,000 (150,000 for a couple) per year. USD 500 is awarded per child. The amount of the tax credit is regressive and falls to zero for households with an income above USD 99,000.

[\[7\]](#)

See [here](#) for our analysis of European and American strategies to deal with the crisis.

[\[8\]](#)

The plan approved on 18 March ([Families First Coronavirus Response Act](#)) actually provides for over 20 billion dollars in assistance for poor people.

What can we learn from the Finnish experiment with a universal income?

By [Guillaume Allègre](#)

Between 2017 and 2018, Finland conducted an experiment with universal income that gave rise to significant media coverage. 2,000 unemployed people receiving the basic unemployment benefit (560 euros per month) received the same amount in the form of unconditional income, which could be combined with income from work for the duration of the experiment (2 years, not renewable). On 6 May 2020, the final report evaluating the experiment was published (here is a [summary of the results](#)). The evaluators concluded that the experimental universal income had moderate positive effects on employment and positive effects on economic security and mental health. According to the final report, on average individuals in the treatment group worked approximately 6 additional working days (they worked 78 days). They experienced significantly less mental stress, depression and loneliness, and their cognitive functioning was perceived as better. Life satisfaction was also significantly higher. The results of the experiment therefore seem to argue in favour of a universal income. But is it really possible to draw lessons from the experiment with a view to generalizing the system? In 2018, I wrote that experimenting with universal income was “[impossible](#)”. Does the Finnish experience contradict this claim? It turns out that it is indeed difficult to draw lessons.

The principle of a universal income, as it is commonly defined, is to pay a sum of money to all members of a political community, on an individual basis, without means-testing or any obligation to work or take a job.

Such experiments generally concern a small number of people (in Finland, 2,000 individuals): the universal aspect of the measure is therefore lost, but a measure's impact can differ depending on whether it affects everyone or only some of the population. How are the individuals chosen? Two options are favoured by practitioners: a totally random draw, which favours the representativeness of the experimental sample, or a saturation site, which consists of including in the experimental sample an entire community (for example a single labour market area), which helps to capture externalities and interactions ("do I stop working more easily when my neighbour stops or when my spouse receives assistance?"). In Kenya, [villages are used as saturation sites](#). In the Finnish experiment, 2,000 long-term unemployed people receiving end-of-entitlement benefits (equivalent in France to ASS assistance) constituted the experimental group, with the control group being made up of recipients of end-of-entitlement benefits who had not been randomly selected. This poses two problems. First, the experimental group is not representative of the Finnish population. The long-term unemployed make up only

a small part of the population. So we cannot really say how people with jobs would have reacted (would they have reduced their working hours?). Second, interaction effects are not taken into account: for example, consider a job taken up by an unemployed person in the experimental group, who thus increases his or her labour supply in the context of the experiment – might this job have been taken up by a member of the control group?

The definition of universal income tells us nothing about its level or what benefits it replaces. All options are on the table. Programmes with a more liberal, free-market orientation offer a relatively low universal income and replace most social benefits and sectoral subsidies (notably in agriculture) or can even substitute for regulations on the labour market (the abolition of the minimum wage is envisaged). In a more social-democratic logic, universal income would replace only the social minimum (France's RSA income support benefit) and income support for the in-work poor (in France, the *Prime d'activité*). The amount envisaged is often equal to or slightly higher than the social minimum. Finally, in a degrowth logic, the universal income could be lifted to at least the poverty line in order to eradicate statistical poverty. The effects expected from the reform depend greatly on the amount envisaged and the benefits it replaces. In the framework of

the Finnish experiment, the universal income was 560 euros, the amount of the basic unemployment benefit received by the members of the experimental group. Simply replacing this basic allowance meant that at first the income of the unemployed in the experimental group remained unchanged. But the universal income could at the same time be cumulated with job income. This means that returning to work could lead to an additional financial gain of as much as 560 euros.

The experimentation thus increased the financial gains from a return to work. This is not a result that one usually thinks of in relation to establishing a universal income. One question often asked is,

[“What happens when you get 1,000 euros a month without working?”](#) It turns

out that, for those on low incomes, the generalized roll-out of a universal income could have ambiguous effects on the incentive to work: it increases income without work but it also provides additional income for the working poor.

On the other hand, for those earning the highest incomes, the monetary gain from increasing their income would be reduced.

The evaluation was complicated by the introduction of activation measures during the second year of the experiment (2018). Based on the “activation model” put in place, people on unemployment benefits had to work a certain number of hours or undergo training, otherwise their

benefit was reduced by 5%. These measures affected the experimental groups asymmetrically: two-thirds of the control group were affected, compared with only half of the experimental group ([Van Parijs, 2020](#)). Theoretically, the incentive to return to work was therefore greater for the control group. Note that activation goes against the principles of the universality and unconditionality of universal income.

Notwithstanding the activation measure, the results of the Finnish experiment tell us that the hours worked are higher for the experimental group than for the control group. The financial incentives to work would therefore have worked! In fact, the evaluators stress the moderate degree of the impact on employment. In the interim report, which covered the first year (2017), the impact was not significant. In 2018, the impact was significant, since the people in the experimental group worked an average of 78 days, or 6 days (8.3%) more than the control group. The impact is, however, not very significant: with a 95% confidence interval, it is between 1.09 and 10.96 days (i.e. between 1.5% and 15%). Kari Hämäläinen [concludes](#): "All in all, the employment effects were small. This indicates that for some persons who receive unemployment benefits from Kela [Finland's agency handling benefits for those at end of entitlement] the problems related to finding employment are not related to bureaucracy or to financial incentives".

On the other hand, the experiment tells us nothing about the effects of possible disincentives for higher earners due to the financing of the measure: by construction, an experimental universal income is not financed. More seriously, gender analysis is virtually absent from the final report. All we know is, from reading a table, that women in the experimental group worked 5.85 additional days compared to 6.19 for men, but there is no discussion of the issue of gender equality. The issue of how choices are negotiated within a household is also not posed. The impact on the lone parent group is not significant “due to its small size”. In an [Op-Ed published by the New York Times](#), Antti Jauhiainen and Joonas-Hermanni Mäkinen criticize the sample size, which is five times smaller than initially planned: the small size makes it difficult to draw any conclusions about subgroups.

The final report highlights the beneficial effects on mental health and economic well-being. The impacts on people’s life satisfaction and on stress and depression are very significant. However, two comments can be made. First, we do not know what comes from the higher living standards of the individuals in the treatment group and what comes from the mechanism of a universal income (the certainty that people will have an income whatever happens). Given the way the experimental income was actually designed (it functions like an

employment bonus), one can easily assume that it is the income effect that takes precedence. Likewise, since the individuals in the experimental group are in all cases better off financially, it is not surprising that their economic well-being increases. Second, there may also be a reporting bias due to a [Hawthorne Effect](#): individuals in the experimental group know that they are part of an experiment and that they were chosen so that they have an advantage over the control group. This can lead them to be more optimistic in their statements.

In the end, the Finnish experiment offers few lessons about the effects of the establishment of a global universal income, i.e. one for all citizens. Only a small category of the population was involved, and funding was not tested. Yet funding is half the mechanism; Finnish trade unions are also opposed to a universal income because they fear that the necessary tax increases will reduce earnings from working. In addition, a family and gender approach has been completely ignored, whereas a universal income has been denounced by feminists as being liable to discourage women from taking up jobs (likening it to a mother's wage). As with the [RSA income supplement experiment in France](#) [article in French], the failure of the Finnish experiment is explained in part by the contradictory objectives of the various scientific and political actors. The evaluators hoped for a sample of 10,000 people including individuals

with different employment statuses. They were constrained by a combination of time, money and a ruling political coalition that was no longer enthusiastic about the idea of testing a universal income ([“Why Basic Income Failed in Finland”](#)). The Prime Minister’s Centre Party was in fact interested in the question of financial incentives for the long-term unemployed, which is a long way from the idea of reconsidering the central role of market labour or being able to say no to low-quality jobs, which is often associated with universal income. This was certainly a limitation of these costly experiments: subject to the inevitable supervision of politics, they risk becoming showcases promoting the agenda of the government in power.