FOUR PRIORITIES FOR EFFECTIVE AND EQUITABLE COVID-19 LEGISLATION FOR ECONOMIC RELIEF

SAMMI AIBINDER AND JANELLE JONES

The COVID-19 pandemic has catalyzed what could be a deep and long-lasting recession in the United States. But as we have seen with other nations' responses to the outbreak and economic shutdowns, both the number of cases and the amount of human suffering can be minimized with major government intervention that prioritizes those most affected. In responding to these dual public health and economic crises, policymakers, policy experts, and advocates must firmly commit to solutions that will provide immediate relief to those who need it *and* make our economy more stable and equitable for the future. These solutions should follow four principles: 1) Reinforce the front lines; 2) Help people, not corporations and Wall Street; 3) Build resiliency in the economy for the long-term; and 4) Ensure real accountability for corporate bailouts and protect people from predatory behavior. By adhering to these priorities, we can provide working people and families—especially those in Black and brown communities, who are disproportionately harmed by the health and economic crises as well as the systems designed to respond to them—with the resources they need to weather this recession, and we can address the major structural flaws in our economy that made us so vulnerable to this collapse in the first place.

INTRODUCTION

As Congress now moves past the fourth piece of legislation responding to the coronavirus pandemic and its economic fallout, we've seen over 30 million people lose their jobs and over one million confirmed cases of the virus in the U.S. (the most cases in the world). A few provisions of the record-breaking $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act have begun to have a positive impact for everyday people: the federal government has started sending direct cash assistance to most households, expanded and enhanced unemployment benefits, and rolled out forgivable loans for small businesses. Nevertheless, the government's one-time payment of $1,200 does not even cover one month's rent for most—compared with other industrialized nations' payroll interventions (from the United Kingdom, to Denmark, to the Netherlands), it's downright paltry. Millions of undocumented immigrants and households with mixed immigration status are excluded from both the federal stimulus payments and expanded unemployment insurance; Puerto Ricans are unduly hindered from receiving aid; millions of low-income workers and families without access to a bank account face burdensome hurdles to these funds (or, if you have outstanding private debt, your lender can just take your relief funds anyway). The Paycheck Protection Program (PPP) for small businesses ran out of money not even three weeks after the CARES Act was passed (94% of small businesses didn't even receive relief; businesses that did were disproportionately white-owned, and had an existing relationship to big banks), all while large corporations received a windfall of public dollars—to the tune of $500 billion—that President Trump has gone out of his way to shield from oversight.

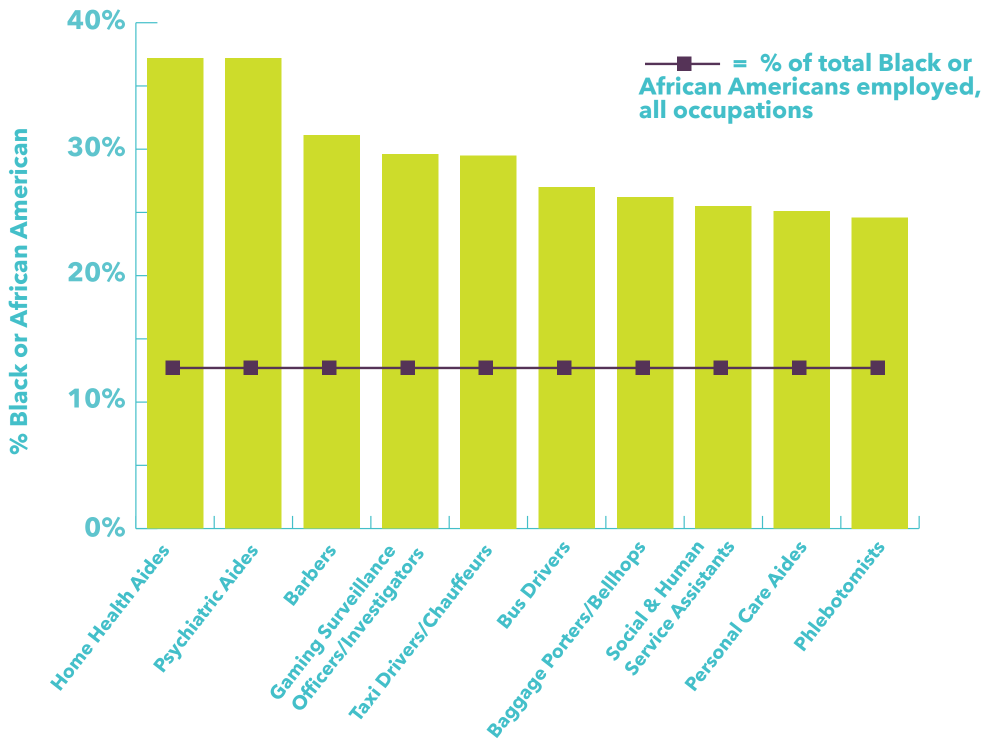
The latest passage of emergency stopgap funding for PPP, hospitals, and coronavirus testing, as well as legislators' own statements around the interim nature of this most recent bill, have made it crystal clear that much more will be required to ensure economic stability and security for everyone in the months—and years—ahead. The real unemployment rate is already expected to be over 18% (the highest unemployment rate during the Great Recession was 10%, in October of 2009; the highest rate during the Great Depression was about 25%). At its peak, the number of unemployment insurance claims during the Great Recession hit *665,000*, or *three percent* of the numbers we're seeing today: this spike is the largest one-month increase in unemployment claims in history. One of the most important facts about these unprecedented numbers is that *we don't want the economy up and running again* until the public health emergency has abated. This downturn will be massive and long-lasting, but we can still act to minimize the number of lives lost and the extent of human suffering by prioritizing public health and using our vast resources wisely.

The next phase of legislation must first focus on further relief for those directly impacted by the virus itself as well as those acutely affected by the economic shutdown. Only after addressing the immediate health and economic crises should we focus on a recovery that allows for economic activity to restart. Recent research has shown that the risk of "overshooting" on this legislation is far outweighed by the risk of doing too little. A fiscal stimulus plan that's too small could mean unnecessary economic hardship for millions with years of drawn-out joblessness and sluggish recovery. Low interest rates and low inflation preceding this crisis indicate that the risks of substantially increased spending are in fact mild. As Congress considers additional measures to combat the coronavirus, stabilize the economy, and lay stronger foundations for the future, there are four key principles they must keep in mind and to which the public should hold them accountable.

1. REINFORCE THE FRONT LINES

First, we have to **reinforce the front lines**. Nurses, doctors, and other healthcare workers are risking their own health and safety each day to fight the virus. Grocery store clerks, farmworkers, and warehouse workers are keeping food and supplies coming. And people of color are disproportionately represented in many "essential" occupations that are at a high risk of contracting coronavirus. For example, Black people make up 12% of all workers, but make up nearly 40% of the home health aide sector (Chart A).

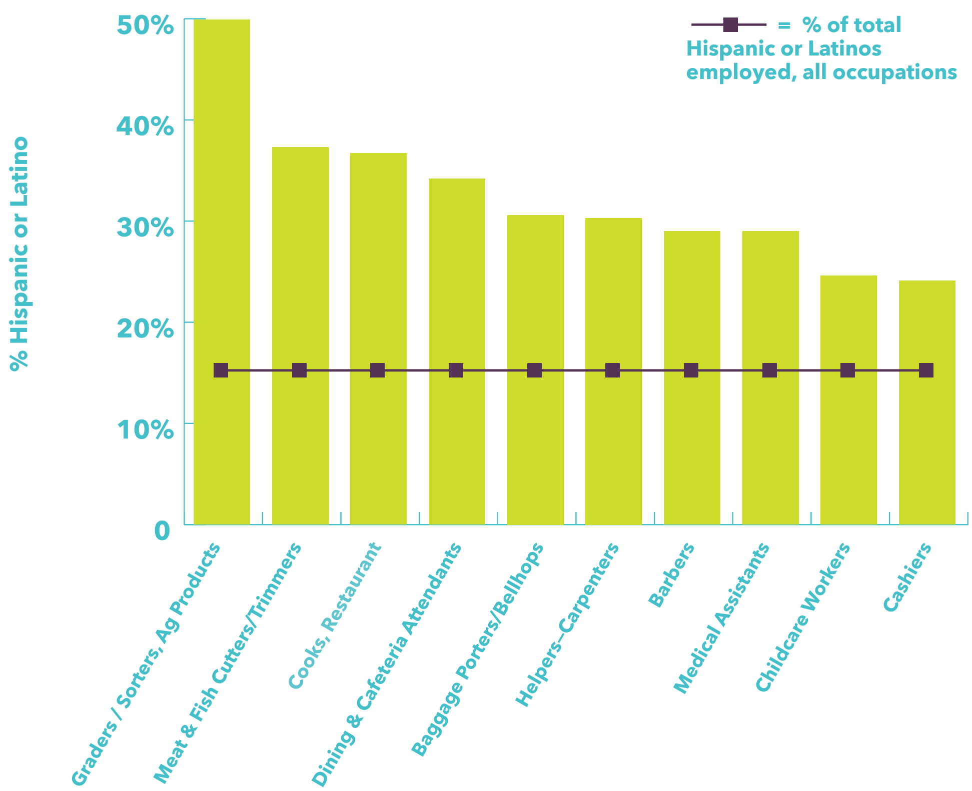
CHART A
BLACK OR AFRICAN AMERICAN PEOPLE ARE DISPROPORTIONATELY REPRESENTED IN MANY OCCUPATIONS THAT ARE CONSIDRED "HIGH-RISK" OF CONTRACTING CORONAVIRUS



Source: Bureau of Labor Statistics; Politico, "Who is most at risk in the coronavirus crisis: 24 million of the lowest-income workers."

Hispanic and Latinx workers are overrepresented in food service occupations, from restaurant cooks to cafeteria attendants, both of which are high risk (Chart B). Further evidence from New York City shows that low-wage workers and communities of color are facing the highest rates of COVID-19 cases and deaths, solidifying the fact that existing inequities—from residential segregation that exposes communities of color to air pollution at higher rates, to structural income and wealth inequality that led to worse overall health outcomes before the virus—are forcing marginalized groups to bear the brunt of this crisis. The front lines also include state and local governments, who are stretching their limited resources to the breaking point as they work to address the staggering rise in unemployment and need for greater hospital capacity.

CHART B
HISPANIC OR LATINO PEOPLE ARE DISPROPORTIONATELY REPRESENTED IN MANY OCCUPATIONS THAT ARE CONSIDRED "HIGH-RISK" OF CONTRACTING CORONAVIRUS



Source: Bureau of Labor Statistics; Politico, "Who is most at risk in the coronavirus crisis: 24 million of the lowest-income workers."

There is both a moral and economic imperative to come to workers' and states' aid. Specifically, the federal government must use every mechanism at its disposal to get healthcare workers the equipment and resources they need to care for those affected by this pandemic. That includes a nationwide guarantee of personal protective equipment and paid leave for doctors, nurses, EMTs, and hospital cleaning workers alike, as well as funding for hospital beds, ventilators, and medication. Emergency hazard pay should be provided for the agricultural and manufacturing workers keeping our food supply lines humming, the grocery and delivery workers ensuring that food ends up in our refrigerators, and the domestic workers who keep our homes clean and our loved ones safe. Those who put their health and their lives on the line every day deserve additional compensation for themselves and their families during this particularly devastating time.

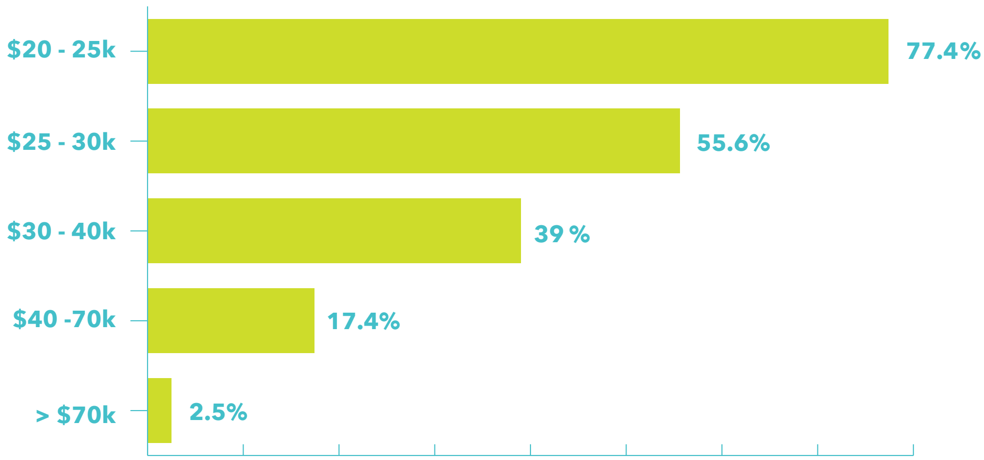
We also need to deliver massive assistance to states and localities who will otherwise be forced to dramatically cut services if we fail to help them. This means expanding federal funding for programs like Medicaid, which will face enormous strain as millions of laid-off workers lose employer-covered health insurance—an especially horrifying prospect in the middle of a deadly pandemic. To date, 14 states have still not adopted the Medicaid expansion, meaning that millions of uninsured or poor people in these states will not qualify for free or low-cost comprehensive coverage—potentially barring them from receiving the testing and treatment they need. The Federal Reserve can also boost states and localities by purchasing their debt, to account for the loss of tax revenue incurred from the economic shutdown, which could ensure longer-term recovery in the form of infrastructure projects.

The Fed took an unprecedented step toward this end earlier this month by establishing a $500 billion lending mechanism for states, cities, and counties called the Municipal Liquidity Facility (MLF). At its outset, the stipulations of this program disproportionately excluded the cities and localities with the largest numbers of Black residents across the country: in the original rules for eligibility, only cities with more than one million residents and counties with more than two million residents could borrow via the MLF. Not one of the 35 Blackest cities in America meets this criteria. Following criticism over this issue, the Fed expanded the MLF so that counties with a minimum population of 500,000 and cities with a minimum population of 250,000 are able to access its funding. The Fed also extended the time frame for purchasing notes through the program and for paying off the debt. This response highlights the importance of ensuring that policy interventions do not further exacerbate the existing disparities faced by communities of color in the wake of COVID-19, and how critical it is to connect as many state and local governments as possible with critical resources as their borrowing needs rapidly grow. In order to do everything we can to stem the loss of lives and livelihoods, Congress must provide ongoing and equitable support to states and localities throughout both the health and economic aspects of this crisis.

2. HELP PEOPLE, NOT CORPORATIONS AND WALL STREET

Second, in order to repair the economy, we have to **help people, not corporations and Wall Street.** Working people are getting hit the hardest by this disaster and when low and middle-income people struggle, the economy struggles. Already, we know that those in low-income jobs are most likely to be laid off, furloughed, or otherwise lose work as a result of social distancing (Chart C).

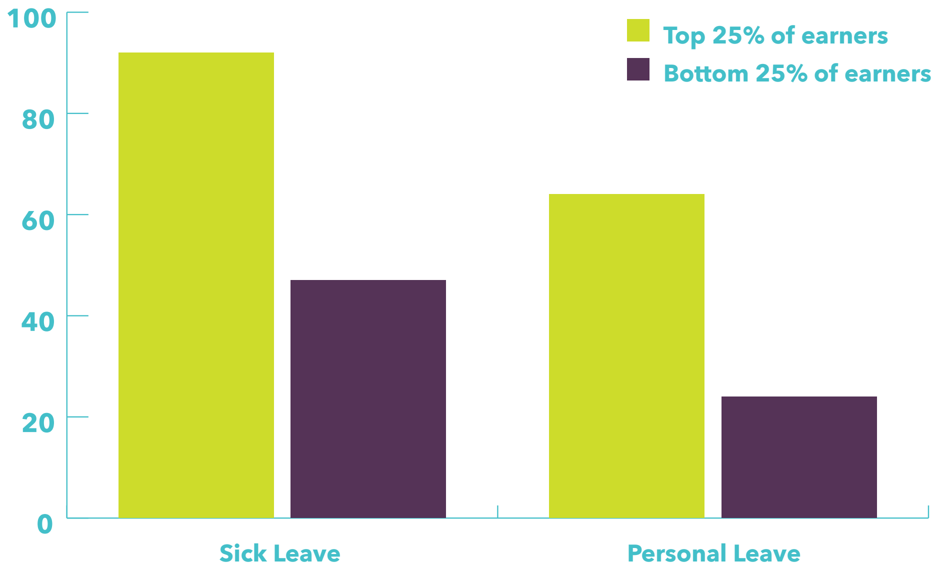
CHART C
LOW-INCOME JOBS MOST VULNERABLE IN COVID-19 ECONOMIC SHUTDOWN
SHARE OF JOBS BY INCOME PREDICTED TO BE FURLOUGHED, LAID OFF, OR OTHERWISE UNPRODUCTIVE DURING SHUTDOWN



Source: LaborCUBE; McKinsey Global Institute analysis; Axios Visuals

The United States is the only industrialized nation without guaranteed paid sick leave: this disproportionately affects low-wage workers, who are being forced to choose between the paycheck that gets food on their table and the risk of contracting the virus and further spreading it to their loved ones and communities (Chart D). This cruel choice exacerbates both the effects of the pandemic and the conditions of rising inequality that put these workers in such a precarious position to begin with. Many of the same people who are now losing their jobs—especially in communities of color—never fully recovered from the effects of the last economic crisis. Additionally, Black workers are often the "last hired and first fired." The Black unemployment rate has been consistently double the white unemployment rate for decades, and during recessions that gap widens.

CHART D
PERCENT OF WORKERS WITH ACCESS TO PAID LEAVE BENEFITS



Note: The BLS defines Peronal Leave as a general-purpose leave benefit; used for reasons important to the individual employee, and not otherwise covered by other forms of paid leave; Source: Bureau of Labor Statistics Employee Benefits Survey

These systemic weaknesses made our economy uniquely vulnerable to a painful shock like this one, and the only way to rebuild is from the ground up. We simply will not see a true and equitable recovery if we continue to funnel cash to the rich and corporations. As the failure of the Trump tax cuts have shown, more money given to those at the top does not "trickle down" to the people whose work and lives actually make up our economy. On the contrary, the hoarding of wealth at the top is a self-reinforcing loop that further exacerbates economic inequality and excludes workers and consumers from the economic abundance that *they* create. Real prosperity—and a real recovery—is only possible when we ensure that the benefits of economic growth are shared by everyone. When workers are able to reap those benefits, standards of living rise across the board, people have the financial security and stability that allows them to spend what they earn, and—with policies focused on an equitable distribution of power that prioritize workers and consumers—robust demand across the economy can spur higher wages and a continued upward cycle for standards of living. To recover from this crisis, it is imperative that the resources we have are directed toward those whose work and lives actually drive our economy.

First and foremost, Congress can help people by covering the costs of both testing *and* treatment for COVID-19. Weathering the pandemic and its consequences will also require continued cash assistance, expanded Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits, and increased unemployment insurance funding. While the CARES Act instituted these provisions for immediate relief, the magnitude and duration of this disaster will undoubtedly require greater sustained aid—it took seven years in the recovery from the Great Recession for employment to sink from 9.5 percent to below 5 percent, and that was *without* a concurrent pandemic necessitating severe restrictions on economic activity. Beyond long-term aid, and in addition to the national eviction moratorium put in place in the CARES Act, there should be an immediate moratorium on rent and utility bills until people and the economy have had a chance to recover. We can't forget that more people than ever before filed for unemployment insurance in recent weeks and will have a much harder time making their regular payments in the months to come. The reality is that most people do not have the savings to ride this out—the Federal Reserve Board reported in 2018 that 40% of Americans cannot cover a $400 emergency expense—and we cannot leave them behind. Congress must prioritize getting substantial help directly to the people and communities that need it most.

3. BUILD RESILIENCY IN THE ECONOMY

Third, we have to deliberately **build resiliency in the economy** for the long run. We can't wait on pins and needles for Congress to respond every few weeks to new developments. Congress must ensure that direct aid to working people and families continues to flow. We have already seen that short-term aid, such as the one-time $1,200 disbursement of cash assistance, is insufficient. Many measures for aid in the CARES Act are set to expire within a few months or at the end of the year, a timeline that is looking increasingly unreasonable compared to the projected duration of this crisis. Even tying the end of aid to the pre-crisis unemployment rate would present significant challenges. If workers in certain industries—like hospitality or travel—are not searching for employment because their sector is severely slowed or shuttered, they will not be included in the unemployment rate. What's more, the unemployment rate is often severely limited in its portrayal of economic well-being because employment is not tantamount to financial security. The next bill must include mechanisms to ensure aid won't stop prematurely and that we haven't left ourselves just as vulnerable as we were before the current crisis. Building resiliency will also mean addressing underlying problems, including rising inequality that has made our economy more susceptible to shocks and this crisis much worse.

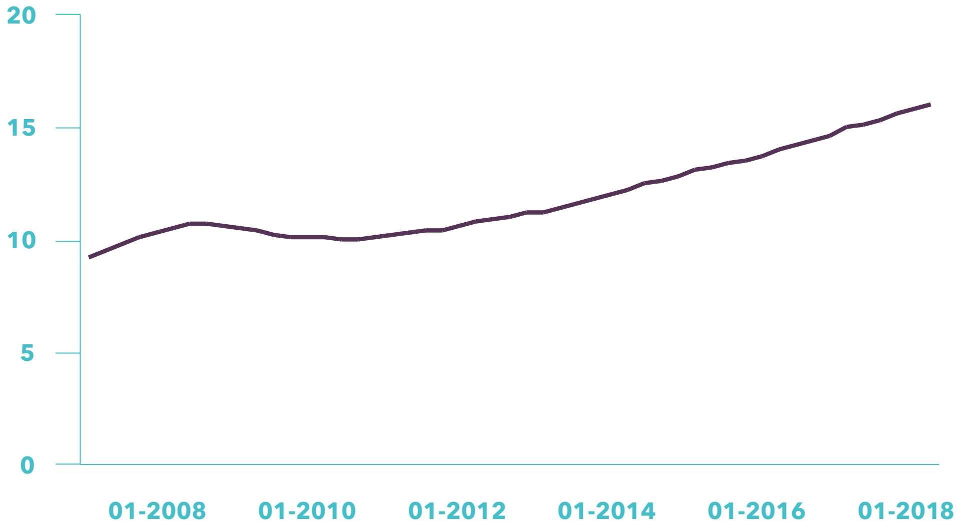
Fixing those problems starts with many of the plans already set into motion by prior legislation. Guaranteeing access to paid leave would ensure that all workers—not just white-collar, middle- and upper-class workers—could retain their employment and their income while protecting their health and caring for their loved ones. Separating access to healthcare from paid work, as recent research has shown, would increase job quality, encourage small business development, and strengthen the labor market overall. Setting higher standards for labor protections and compensation in industries like the service sector would garner greater financial stability for the millions of workers who have really only been deemed "essential" in name. Even as the public lauds essential workers for their service, these workers still face low wages, job insecurity, obstructions to collective bargaining, and barriers to adequate healthcare. These so-called "radical" policies, for which progressives have advocated for decades, are at the heart of the conversation, but only as temporary measures. But we know that these policies would strengthen and protect our economy from future disasters by centering workers and public institutions. This moment makes clear that relying on the "free market" or the corporate sector to sustain us in a public emergency and help Americans weather storms like this one is, frankly, a dangerous fantasy.

4. ENSURE REAL ACCOUNTABILITY FOR CORPORATE BAILOUTS AND PROTECT PEOPLE FROM PREDATORY BEHAVIOR

Fourth, Congress must **ensure real accountability for corporate bailouts and protect people from predatory behavior.** One of the most disappointing elements of the CARES Act is the $500 billion bailout of big corporations—and the likelihood that without adequate oversight, those funds will line the pockets of corporate executives and shareholders. We know from experience that corporations will always invest in their own profits over the working people that actually generate wealth, and we've seen the consequences of lax bailouts before. When big banks were awarded public money through the Troubled Asset Relief Program (TARP) following the Great Recession, the idea was that the banks would expand their lending to small businesses to help them bounce back. With no adequate enforcement measures in place, that never happened. And while the Congressional Oversight Commission is currently being constructed, concerns remain that without subpoena power or independent enforcement authority, its efficacy will be limited.

Experts have been warning for some time that corporations were taking advantage of looser rules to load up their balance sheets with dangerous levels of debt (Chart E). And now that the economy has ground to a halt, those same corporations are begging the public for a bailout. To make matters worse, there are those who see profit in the pain and uncertainty of this moment. If left unchecked, unscrupulous lenders, corporate raiders, and scammers at all levels will use every trick in the book to make a quick buck off of everyone else, and in the process make a bad situation much worse.

CHART E
U.S. BUSINESS DEBT, 2007-2019



Source: Bloomberg, March 10, 2020. Data from Federal Reserve.

Congress must demand real enforcement mechanisms for corporate bailout money. For example, if a company receiving assistance fails to meet any conditions of how to use the funds, they should be required to pay it back with interest. There should be stringent requirements for keeping workers on payroll; United Airlines executives have accepted $5 billion in federal bailout money, yet they are reportedly preparing to cut staff as soon as the six-month period prohibiting layoffs is up. There should also be an oversight structure that prevents companies from buying back their own stocks or increasing compensation for executives. To put it bluntly, President Trump's Treasury Secretary cannot be the only safeguard against corporations' foul play. Private equity and corporations have long lobbied for the weakened labor rights that workers face today. As the public rescues these businesses and industries from failure, it is only fitting that Congress fight for strong protections for workers, consumers, borrowers, and small businesses alongside tough repercussions for those who seek to take advantage of these groups.

CONCLUSION

As hard as it is to believe, we are still in the early days of this crisis and things are likely to get much worse before they get much better. It's clear that decades of the conservative trickle-down, "you're-on-your-own" ideology have severely weakened the public systems and institutions at the heart of addressing this public emergency. The only way forward is with strong public intervention. The "market" will not solve this, corporations will not solve this, individuals will not solve this. The federal government can, and should, cushion the blow and help us all arrive at a robust recovery much faster. The epic proportions of this economic crisis call for massive public investments. Conservatives will want to paint this crisis as a failure of government, broadly, not a failure of their own ideas or leaders. But we know that the public is clamoring for our government to enact policies that actually help everyday people—particularly those most affected by the dual public health and economic crises. If the next legislative package is grounded in these four principles, and we use this moment to fundamentally reorient politics and economics in America, we will have put ourselves in a much stronger position both today and for years to come.