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Inequality has been building for decades in the U.S., but experts say the pandemic 'ripped it open'

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10-13 minutes

Welcome to the **Covid Economy**, CNBC Make It's deep dive into how the coronavirus pandemic is impacting all areas of our lives, from [food](#) to housing, health care to [small business](#). We're focusing on North Carolina, a swing state that has seen rapid economic growth — and growing inequality — since the last recession to learn how residents are weathering the economic consequences of this once-in-a-lifetime health crisis.

Experts, who have been trying to sound the alarm on the growing economic inequality in the United States for the past few decades, are seeing their worst fears realized during the Covid-19 pandemic.

Since mid-March, tens of millions of Americans across the country have lost their jobs as a result of the economic fallout from the pandemic. No group has been spared: men and women, young and old, Black and White.

But as the economy starts to recover, some groups are faring significantly worse than others, including Blacks, Hispanics, millennials, [mothers](#) and low-wage workers in the service industry. They are not returning to work at the same rate as [White professional workers](#).

The same groups, ironically, are also overrepresented in frontline industries that were deemed essential during the peak of the crisis, including health care, child care, cleaning services and grocery stores. In North Carolina, these frontline workers are 65% women and around 30% Black, according to the [North Carolina Budget and Tax Center](#), disproportionate to the percentage of the total workforce those two groups account for.

Economic recessions never impact every group the same. But the degree to which Black and White workers are seeing their fortunes diverge post-Covid is one of the reasons many economists have deemed the ongoing recovery “K-shaped.”

While White Americans have recovered more than half of the jobs they lost between February and April, Black Americans have [recovered only around one-third](#). As recovery drags on, the coronavirus recession has turned into the most unequal in modern U.S. history.

“The recession is almost over for white collar jobs with good benefits,” says Patrick McHugh, research manager at the nonpartisan North Carolina Budget and Tax Center. “But we’re still a long way away from recovering for people in the middle, and particularly low wage jobs.”

Coronavirus exacerbated structural inequalities in the economy

Even before the Covid-19 crisis, many North Carolinians, like many Americans generally, still hadn't fully recovered from the Great Recession.

While the number of white collar jobs in the financial and tech sectors have grown in the state over the past decade, job growth in mid-income industries like manufacturing has been stagnant.

“A lot of the other job growth was in extremely low paying positions that don't have real opportunities for career advancement and would come with entirely meager benefits, if any,” says McHugh.

With those middle-income jobs disappearing, many individuals, especially Black workers, settled for lower paying work and have not been able to build up the assets they would need to cushion another financial blow: Before coronavirus, [42% of North Carolina households](#) would have been unable to cover all of their expenses for three months without assistance, including 33% of White households and 63% of Black households.

Covid-19 has decimated those low-wage industries. Temporary furloughs in these fields are turning into permanent job loss. Long-term unemployment is on the rise.

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"We have to get a handle on income disparity," says Ken Schorr, executive director of the Charlotte Center for Legal Advocacy, based in Charlotte, NC. "This will not be a society that anybody wants to live in if we don't get a handle on providing a better deal for working people in the bottom half of the income spectrum."

Systemic racism means people of color face the worst outcomes

Centuries of systemic racism have made the financial outcomes disproportionately worse for Black and Hispanic Americans, the Federal Reserve Bank of Minneapolis reported [earlier this month](#).

Black Americans, especially, have been kept from higher-paying white collar jobs, and are over-represented in the service and hospitality sectors, which have borne the brunt of the coronavirus layoffs. That is further bifurcating the U.S. economy.

Across the country, just 20% of Black workers are able to work from home, compared to 30% of White workers and 37% of Asian workers, according to the [Economic Policy Institute](#). While white collar professionals work remotely, service industry workers must go to work and risk being exposed to Covid-19 or go without income at all.

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Federal Reserve Bank of Minneapolis

"Racism forms the foundation of inequality in our society, and it threatens our economy and limits economic opportunity for people of color," the Fed [wrote](#).

And not only are Black workers more likely to lose their jobs, they are also more likely to have their unemployment insurance claims denied by their employers and more likely to receive less aid when they do get approved, [according to research](#) from Nyanya Browne and William Spriggs of Howard University.

That's no accident. It's "the legacy of white supremacy" in North Carolina, says McHugh. States with higher populations of Black residents, especially in the South, have slashed unemployment insurance budgets and [intentionally designed the systems so that they are more difficult to access](#), he says.

Even more stark are the [health disparities](#). Black Americans are disproportionately dying of Covid-19. In fact, APM Research Lab estimates that the virus is responsible for the death of [1 in 920 Black Americans](#), compared to 1 in 1,840 White Americans. The age-adjusted Covid-19 mortality rate is 3.2 times as high for Black Americans as it is for Whites.

"Inequality has been building for decades, and the pandemic ripped it open," says Schorr.

How to move forward

Another Covid-19 recovery package from the federal government is necessary to help the [23 million Americans still without work](#) and keep inequality from growing even worse.

The CARES Act, passed in March, included \$2 trillion in enhanced unemployment, stimulus checks for individuals, food assistance and much more. Aid was disbursed quickly and was well-targeted to those who needed it, say the experts interviewed for this article. Fewer people fell into poverty than would have been expected, according to [recent research from Columbia University](#).

But now many of the [most helpful provisions have expired](#). Yet the crisis is ongoing, and though some jobs have come back, the [recovery has flat lined](#). Meanwhile, Congress has been negotiating another deal for months but has so far been unable to agree on what to include in the next aid package.

Without more relief, everyone loses, says Eliza Forsythe, a labor economist and assistant professor at the University of Illinois at Urbana-Champaign.

"Some economists believe if we had been more proactive, we could have gotten back to recovery faster," says Forsythe. "The CARES Act was really successful in terms of mitigating the effects. But we're not giving [workers] more support. That prolongs the recovery."

Enhanced unemployment benefits, a sticking point of the negotiations between Democrats and Republicans in Congress, are important. They helped prop up the economy in the early months of the crisis, says Forsythe, ensuring families could pay all of their bills. Without them, households are falling behind.

Now is the time to think big

Just as important as the benefits themselves is the continuity of providing them, says Megan Curran, a researcher at the Columbia Center on Poverty and Social Policy. Households need the short- and long-term assurance that they will have income.

"We know that when families are experiencing huge fluctuations in income, it can have a [domino] effect. It can lead to them losing their homes, or to debt that can end up costing them way more than the original bill," says Curran. "Without action even more folks are going to be losing out."

Federal assistance for state and local governments is also crucial, says North Carolina Budget and Tax Center's McHugh. With tax revenues down across the country, this would allow local governments to offer more aid to their citizens.

Now is the time to think big, says William Darity, a professor of public policy at Duke University. The virus has demonstrated the need for an expanded national health-care program and a federal jobs guarantee.

The latter would essentially be a national payroll to ensure people could have income whenever there was a need, not on the "sporadic basis" Congress is providing now, says Darity. Nationalized health care would mean that if people lost their jobs, they wouldn't automatically lose their health insurance.

Without more relief, inequality in the U.S. will continue to grow. That hurts individuals and families, and the economy as a whole.

"The data is clear that the need is high," says Curran. "As a poverty researcher, we're trying to sound the alarm here. We know action that was taken earlier this year worked, but we know that it wasn't enough and we know that families need more. Congress can do something, but they need to take action."

CNBC Make It will be publishing more stories in this series each week in October. If you live in North Carolina and are interested in sharing your experiences related to the pandemic, please email reporter Alicia Adamczyk at alicia.adamczyk@nbcuni.com.

More in this series:

- [Many Americans are struggling financially amid the pandemic, but some are finding ways to thrive](#)
- ['My kids are starving': Food banks and pantries see explosive demand in North Carolina as pandemic continues](#)
- [The U.S. unemployment system was already broken. Then the coronavirus pandemic hit](#)
- ['You're so stressed you can't sleep at night': Parents and child-care providers are still struggling as the pandemic drags on](#)
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