OPPORTUNITY INSIGHTS ECONOMIC TRACKER

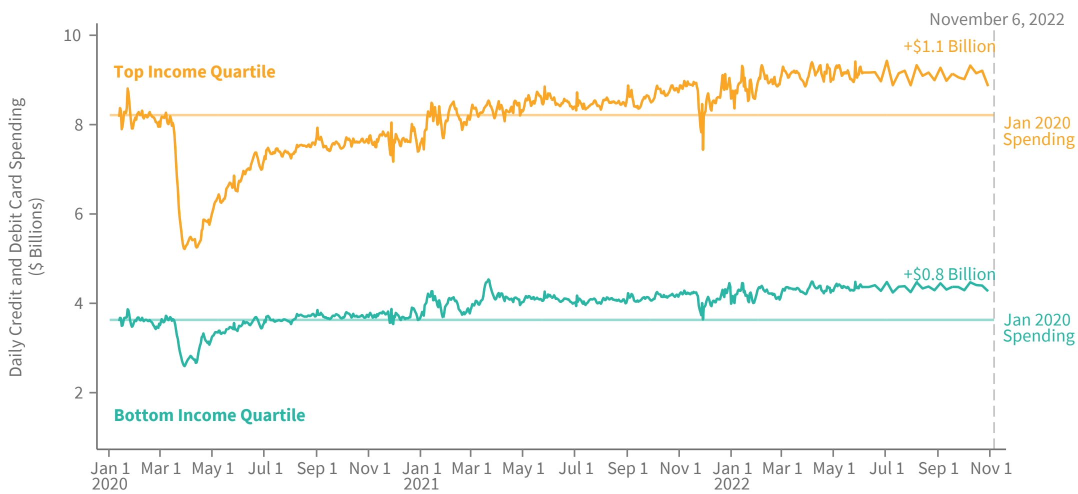
The Uneven Recovery from the COVID-19 Pandemic:

Recent Insights from the Opportunity Insights Economic Tracker

In May 2020 Opportunity Insights released the Economic Tracker, a platform that aggregates de-identified data from private companies to provide a detailed and timely picture of indicators such as employment, spending, and job openings across counties, industries, and income groups. **In this Data Insights memo, we provide new evidence from the Economic Tracker suggesting an uneven economic recovery across income groups.**

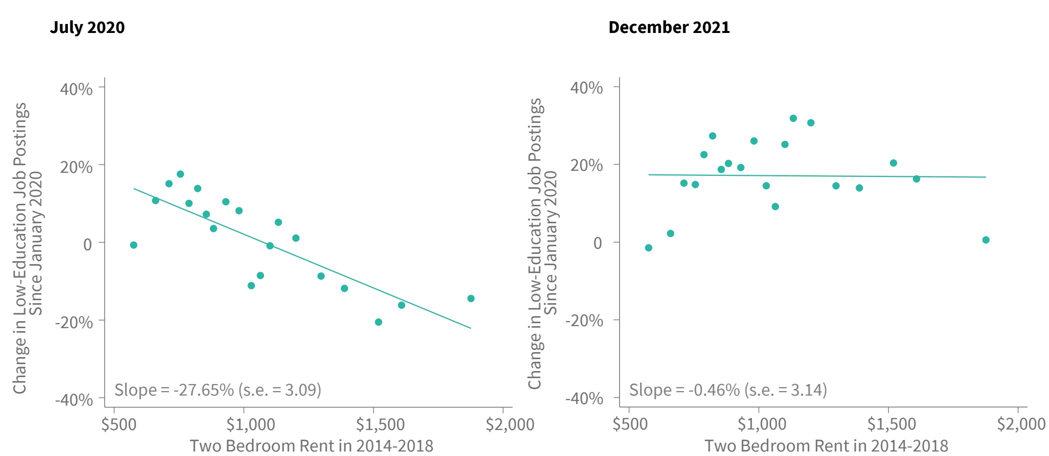
Spending for all households increased once health concerns receded, leading to record demand for workers.

FIGURE 1: Consumer Spending by Income Quartile



Consumer spending rose above baseline levels beginning in March 2021, as shown in the figure above which plots average levels of monthly credit and debit card spending for households in the bottom and top quarters of the income distribution.

FIGURE 2: Changes in Low-Skill Job Postings vs. Rent, by County Since January 2020

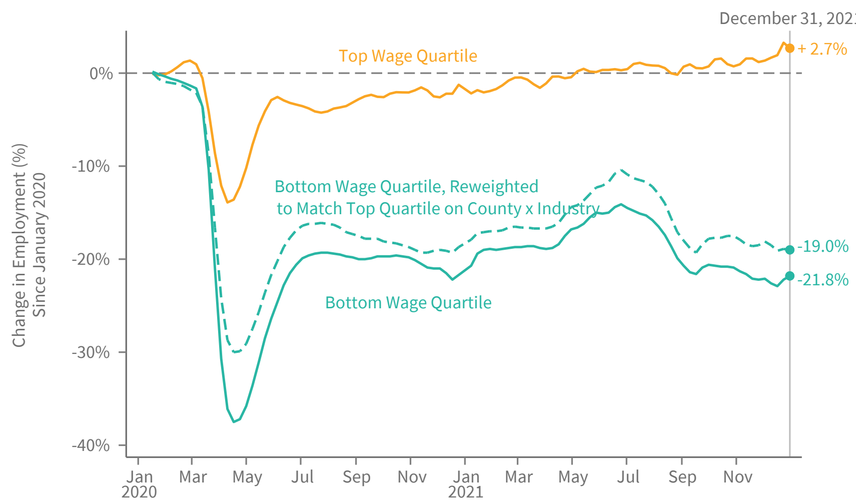


This spending led to a resurgence in job postings — initially in lower-income, less expensive areas and eventually everywhere. This pattern is illustrated by the two figures above: During July 2020 there was a strong, negative relationship between rent and job postings such that higher-income, more expensive areas showed the largest reductions in openings. By December 2021, however, both low- and high-rent areas had added jobs at similar levels.

Despite the return of demand for workers, employment remains depressed for low-wage workers, especially in areas initially hard-hit by the economic shock of the pandemic.

Although by Summer 2020 employment among high-wage workers had rebounded to pre-pandemic levels, the recovery stalled for low-wage workers. The figure below illustrates this divergence by plotting monthly employment levels separately for high- and low-wage workers. The green line shows that as of December 2021, employment levels among low-wage workers were still about 20 percent less than before the pandemic. These losses were even larger in high-income urban areas where spending fell sharply and many workers were laid off at the outset of the pandemic.

FIGURE 3: Changes in Employment by Wage Quartile



These job losses persisted in 2022. The figures below plot the association between employment and rent for July 2020 and 2022, illustrating that more expensive areas still show substantial gaps in employment compared to before the pandemic, even despite the resurgence in consumer demand and job openings.

FIGURE 4: Changes in Bottom-Wage-Quartile Employment vs. Rent, by County

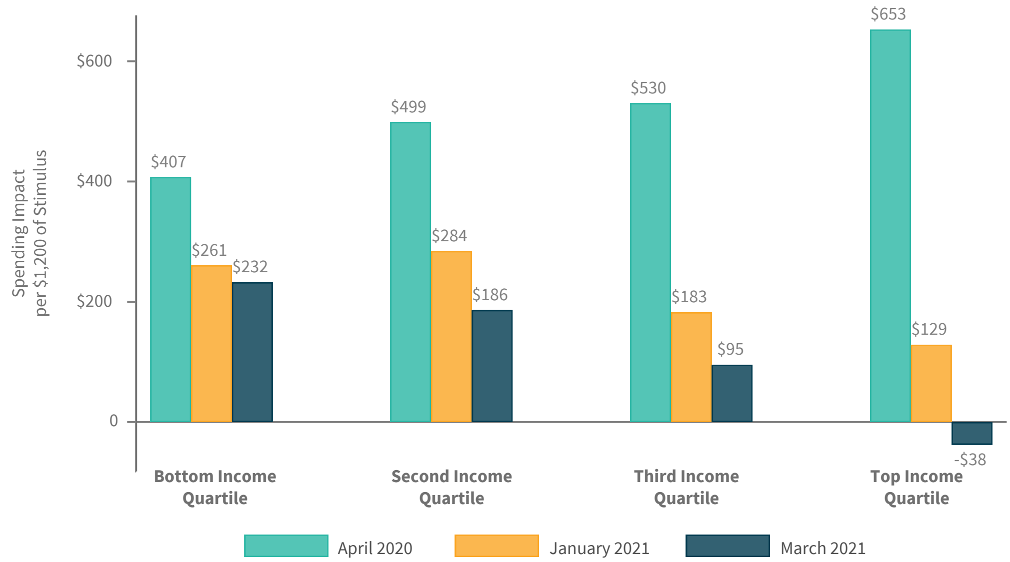
The loss of low-wage workers is explained in part by rising wages; higher wages mean that fewer jobs are categorized as "low-wage." The remaining two-thirds is driven by changes in labor supply – that is, low-wage workers are not filling openings in areas where they once held jobs.

Stimulus payments made by the federal government were effective at increasing spending, however their effectiveness diminished over time, especially for higher-income households.

The federal government sent households stimulus checks at three points during the crisis: April 15, 2020, January 4, 2021, and March 17, 2021. We find that both low- and high-income households increased their spending substantially in the days after receiving the April 15 stimulus.

By contrast, the impacts of the January 2021 payments varied substantially depending on recipients' income: low-income households once again spent a substantial fraction of their stimulus checks, but higher-income households spent little or none of the money they received.

FIGURE 5: Effect of the COVID Stimulus Bills on Spending (per $1,200 check), by Income Group



Since spending data on the Economic Tracker are processed within a few weeks of transactions, policymakers were able to use these insights from the January 2021 payments to inform lower income thresholds for the March 2021 payments.[1] As predicted, the March 2021 stimulus payments had large impacts on spending for low-income households but little impact on spending for higher-income households who remained eligible. The effects of stimulus changed sharply over the course of the recession because high-income households cut spending sharply but did not lose much income, and as a result had built up considerable savings by the time the second round of payments were issued.

CONCLUSION

The economic impacts of initial reduction in consumer spending induced by COVID-19 in Spring 2020 persist today even though total spending and hiring have rebounded to pre-pandemic levels. The recovery in employment has been highly uneven, with high-wage workers returning to the workforce in full capacity, while low-wage workers – particularly those in areas that lost many jobs initially – are still working at lower rates.

The persistent effects of the initial shock – which may be driven by changing preferences, norms, or other supply-side factors – has contributed to a labor shortage in many markets and may portend further growth in inequality in the coming years. It may be helpful to target re-employment programs and job training efforts to low-wage workers living in the affluent, urban areas where job losses were largest in order to remedy these issues going forward.

For more detailed information on these patterns visit the Economic Tracker.

[1] These results were published in the earlier Data Insights Memo: Effects of January 2021 Stimulus Payments on Consumer Spending.

ABOUT OPPORTUNITY INSIGHTS

Opportunity Insights is a non-partisan, not-for-profit organization located at Harvard University that seeks to translate insights from rigorous, scientific research to policy change by harnessing the power of "big data" using an interdisciplinary approach.

Requests for additional information on the data or technical questions can be directed to info@opportunityinsights.org.

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