SOUTHERN
ECONOMIC
ADVANCEMENT
PROJECT

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Southern State Economic Responses to Pandemic

ABOUT THE SOUTHERN ECONOMIC ADVANCEMENT PROJECT (SEAP)

SEAP is your partner and resource. We amplify the efforts of existing organizations and networks that work towards broadening economic power and building a more equitable future.

Broadening economic power brings attention to how race, class and gender intersect social and economic policy in the South. We explore policy ideas designed to directly address these connections. SEAP focuses on 12 Southern states and marginalized/vulnerable populations within the region and is a fiscally sponsored project of the Roosevelt Institute.

Executive Summary

The COVID-19 (Coronavirus) pandemic is both a public health crisis and a harmful shock to our national, state, and local economies. The expansion of safety efforts to limit social interaction and public gatherings, while prudent and necessary, has the adverse impact of reducing economic security. At the root of this impending crisis is the fact that our economic prosperity is currently driven by household spending. Therefore, reductions in household spending can trigger a vicious cycle of declining incomes and economic growth, which leads to further drops in household spending. If policymakers are bold, numerous administrative and legislative levers can be pulled to boost household incomes and support the broader economy before the pandemic sparks a deep, long, and widespread recession. Expanding the scope and coverage of unemployment insurance, direct income assistance, and public health coverage can lead to immediate and sustained economic security, even in the face of crisis.

Compared to the national average, the South's population appears to be at greater risk of the Coronavirus because of higher rates of economic insecurity, elderly residents, residents with self-care and/or independent living difficulty disabilities, as well as lower rates of paid sick leave coverage.[1] Across the South, state health agencies and the Centers for Disease Control and Prevention have reported more than 3,000 confirmed cases of Coronavirus. In efforts to prevent the further spread of the Coronavirus, each state in the region has closed schools and imposed gathering restrictions, which have dampened household spending. However, states in the South have yet to introduce comprehensive plans to mediate the economic damage of the pandemic.

The scant coverage of public assistance programs, coupled with the potentially massive declines in spending and income, requires significant expansions of current programs and the creation of new programs to address the economic challenges triggered by the pandemic. In the South, the absence of effective public assistance programs in a time of pandemic where residents are on the brink of severe economic losses reveals two truths: 1) policymakers cannot run on autopilot and expect existing programs to ward off economic disaster and 2) public assistance programs are inadequate in the South by design.

On the first count, state public assistance programs lack the scope and capacity to address the potential $577 billion decline in wages and salaries earned in seven industries in the South. On the second count, the lack of state proactive economic and health policies coupled with the pre-emption of local policies, such as municipal minimum wages and paid leave, have been justified by debt hawkery and anti-redistributive ideologies. This report:

> 1) contextualizes the current level of economic risk facing the South and the United States during the pandemic;
>
> 2) details approaches that promote economic security during this period of crisis by making changes to state's administration of unemployment insurance, Temporary Assistance for Needy Families (TANF) block grants, and Medicaid; and
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> 3) provides a comprehensive appendix on state-level data to inform policymakers.

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[1] South includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

Economic Risk Assessment of the South

An economic assessment of the South's risk exposure to the Coronavirus requires acknowledgement of the South's higher rates of economic insecurity, elderly residents, residents with self-care and/or independent living difficulty disabilities, as well as lower rates of paid sick leave coverage when compared to the national average. Southerners' greater risk of exposure to the Coronavirus signals that the economic damage may be larger than what other regions across the United States experience. For example, the share of the population below 138 percent of the poverty threshold, the Medicaid qualifying income threshold, is 2.4 percentage points higher in the South than the U.S. average. The U.S. Census estimates that more than 62 million Americans live with incomes below 138 percent of the poverty threshold; 18 million of them, 29 percent, live in the South (see Table 1).

Additionally, the demographic composition of the South appears to be at greater risk to pandemic. First, estimates of the population of adults at risk of serious illness if infected with Coronavirus show that 43.8 percent of Southern adults and 40.9 percent of American adults are at risk. According to the CDC, adults over 60 years of age and adults with serious medical conditions (heart disease, diabetes, lung disease, etc.) may become seriously ill once infected by the Coronavirus. Similarly, the South's population is disproportionately older and has a higher incidence of self-care and/or independent living difficulty disability. The data also show that at-risk individuals are highly concentrated in the South: more than 1 in 4 of the elderly, youth, and self-care and/or independent living difficulty disability populations live in the South.

Table 1: At-risk population estimates for the United States and South: 2018 Annual

Selected Population	US	South
Below 138 percent of the poverty threshold	62,224,900	18,021,366
Share below 138 percent of the poverty threshold	19.3%	21.7%
65 years and over	52,423,114	14,451,542
Share 65 years and over	16.0%	17.1%
Under 18 years	73,352,242	18,478,828
Share under 18 years	22.4%	21.9%
With a self-care and/or independent living difficulty disability	22,402,761	6,424,868
Share w/ self-care &/or independent living difficulty	7.0%	7.8%
Adults at risk of serious illness if infected with Coronavirus	105,508,720	29,037,470
Share of adults at risk of serious illness if infected	40.9%	43.8%

Source: U.S. Census American Community Survey 2018 1-year estimates. Koma, Wyatt, Neuman, Tricia, Claxton, Gary, Rae, Matthew, Kates, Jennifer, & Michaud, Josh. (2020) How Many Adults Are at Risk of Serious Illness If Infected with Coronavirus? Henry J. Kaiser Family Foundation.

The at-risk population is further exposed to the pandemic because individuals in the South have fewer resources to navigate the crisis. The existing coverage levels of public benefits reveal that the South is not prepared to address the economic fallout from a pandemic. First, 29.4 percent of covered employees in the South, more than 10 million workers, lack paid sick leave benefits (see Table 2). The absence of paid sick leave benefits leads workers to work while sick, worsening the public health crisis, or miss work and forgo wages.

Second, existing public assistance programs cover a modest share of the economically insecure population. Only 1.8 percent of households (561,801) in the South receive public assistance income – often through Temporary Assistance for Needy Families (TANF) block grants administered by states. Existing coverage of public assistance income is marginal when compared to the more than 62 million Americans with incomes below 138 percent of the poverty threshold – 18 million of whom live in the South. Furthermore, Southern households account for 26 percent of all households but only 20.2 percent of all households receiving public assistance income. The share of households receiving food assistance – mainly through the Supplemental Nutrition Assistance Program – is also low relative to the need in the U.S. and the South, 11.3 percent and 12.5 percent respectively.

Even public health insurance coverage proves elusive to those most in need. Data show that one-third of Southerners (36.5 percent) are covered by a public health insurance program such as Medicare, Medicaid, or VA health care. However, only 61.4 percent of the population below 138 percent of the poverty threshold is covered by these programs. In the South, the limited expansion of Medicaid is a principal reason behind low levels of health care coverage among those with low incomes.

Table 2: Public benefits coverage in the United States and South: 2018 Annual

Selected Population	**US**	**South**
Workers not covered by paid sick leave*	35,653,566	10,525,679
Share of workers not covered by paid sick leave*	24.0%	29.4%
Households receiving public assistance income	2,779,060	561,801
Households share receiving public assistance income	2.3%	1.8%
Households receiving food stamps/SNAP	13,769,015	3,960,475
Households share receiving food stamps/SNAP	11.3%	12.5%
Population with public health insurance coverage	114,750,439	30,286,855
Population share with public health insurance coverage	35.6%	36.5%
Population below 138% poverty with public health insurance	40,206,875	11,060,245
Share below 138% of poverty with public health insurance	64.6%	61.4%

Source: U.S. Census American Community Survey 2018 1-year estimates and author calculations. Note: *Author calculations based on U.S. Bureau of Labor Statistics National Compensation Survey March 2019 and Quarterly Census on Employment and Wages September 2019 preliminary estimates.

Focusing on just the population that is most at risk of contracting the Coronavirus obfuscates the potential economic reach of the pandemic that will impact every household in America. During the Great Recession (December 2007 and June 2009), average household spending declined by 7.8 percent.[1] Today, a similar reduction in total household spending would lead to an estimated $1.1 trillion decline nationally and a drop of $250.2 billion across the South.[2] Household spending declines lead to lower demand on goods and services and consequently on the workers that produce and provide those goods. Furthermore, spending patterns suggest that nearly two-thirds of household expenditures are concentrated in services that are more sensitive to household spending declines during a pandemic (see Table 3). Outside of health care and housing and utilities spending, household consumption in services such as food service and accommodations, recreation, transportation, and other services comprise 22.6 percent of total spending in the U.S. and 21.1 percent in the South.

The social isolation response to the pandemic has the potential of severely reducing spending on services because of mandates that force closures. As a result, the pandemic will lead to a stark income crunch for employees and employers in these industries. The data also show that household spending on nondurable goods, basic necessities like food and clothes, is 20.6 percent in the United States and 22.4 percent in the South – an indication that given existing spending constraints on nondurable goods the consumption of services related to leisure and recreation is more sensitive to the pandemic.

Table 3: Total personal consumption expenditures for the U.S. and South by selected industry: 2018 Annual (billions $)

Expenditure Industry	U.S.		South	
	Expenditures	Share	Expenditures	Share
Total expenditures	$13,988.8	-	$3,189.8	-
Goods	$4,354.9	31.1%	$1,083.7	34.0%
Nondurable goods	$2,879.3	20.6%	$714.8	22.4%
Durable goods	$1,475.6	10.5%	$368.9	11.6%
Services	$9,633.9	68.9%	$2,106.1	66.0%
Housing and utilities	$2,567.2	18.4%	$575.2	18.0%
Health care	$2,352.6	16.8%	$550.6	17.3%
Other services	$1,161.3	8.3%	$246.4	7.7%
Food services and accommodations	$973.3	7.0%	$239.0	7.5%
Recreation services	$563.2	4.0%	$112.3	3.5%
Transportation	$462.2	3.3%	$77.7	2.4%

Source: U.S. Bureau of Economic Analysis SAEXP1 Total personal consumption expenditures by state 2018.

The vicious cycle of declining incomes and economic growth sparked by steep drops in household spending is clear when observing the share of total wages and salaries provided by industries vulnerable to household spending reductions during a pandemic. Approximately 30.1 percent of all wages and salaries earned in the South, $577.2 billion, are earned in seven industries that rely on sustained levels of household spending subject to disruption (see Table 4). In the United States, the total wages and salaries in the selected seven industries is $2.4 trillion, 27.2 percent of all wages and salaries.

Of particular concern are the wages and salaries from the accommodation and food services and arts, entertainment, and recreation industries respectively. The latter industries, along with construction, experience immediate layoffs and hours reductions when household spending recedes. Yet, these are also the industries where workers are the least likely to have to paid sick leave and other fringe benefits. Many workers in accommodation and food services and arts, entertainment, and recreation, and construction industries are often hired as temporary or seasonal and/or with part-time designations irrespective of hours worked and their job tenure. As a result, addressing the dramatic loss of wages and salaries for these workers entails broad and comprehensive interventions that reach workers currently excluded from existing programs.

Table 4: Total wages and salaries for the U.S. and South by selected industry: 2018 Annual (billions $)

Wages and Salaries Industry	United States		South	
	Wages and Salaries	Share of Total Wages and Salaries	Wages and Salaries	Share of Total Wages and Salaries
Total wages and salaries	$8,879.5	-	$1,918.7	-
Retail trade	$527.5	5.9%	$129.0	6.7%
Construction	$470.4	5.3%	$106.3	5.5%
Administrative and support and waste management and remediation services	$389.9	4.4%	$95.5	5.0%
Accommodation and food services	$345.0	3.9%	$81.9	4.3%
Transportation and warehousing	$305.8	3.4%	$76.8	4.0%
Other services (except government and government enterprises)	$278.0	3.1%	$65.0	3.4%
Arts, entertainment, and recreation	$101.8	1.1%	$22.7	1.2%

Source: U.S. Bureau of Economic Analysis SAINC7N Wages and Salaries by NAICS Industry 2018.

The scant coverage of public assistance programs, coupled with the potentially massive declines in spending and income, requires massive expansions of current programs, along with new programs, to address the economic challenges triggered by the pandemic. In the South, the absence of effective public assistance programs in a time of pandemic where residents are on the brink of severe economic losses reveals two truths: 1) policymakers cannot run on autopilot and expect existing programs to ward off economic disaster and 2) public assistance programs are inadequate in the South by design. On the first count, state public assistance programs lack the scope and capacity to address the potential $577.2 billion decline in wages and salaries earned in seven industries in the South. On the second count, the lack of state proactive economic and health policies coupled with the pre-emption of local policies, such as municipal minimum wages and paid leave, have been justified by debt hawkery and anti-redistributive ideologies.

State Economic Responses to Pandemic

The pandemic necessitates a response that is equal to the threat. The unprecedented nature of a modern pandemic requires bold government action to reduce exposure to health and economic harm and to settle the uncertainties associated with a phenomenon that has no clear end in sight. Paving a path of security in the South requires a paradigm shift away from small-scale interventions and toward comprehensive actions that acknowledge that in times of pandemic individual insecurity is a threat to us all. Additionally, government action must address the urgency of the crisis and offer speedy support. States, however, can not address the pandemic on their own. State responses to the pandemic will require unprecedented levels of federal aid to support existing fiscal and public obligations (state stabilization funds) and to expand states' abilities to mitigate the public health and economic damage from the pandemic. The following policy approaches leverage existing government programs to promote economic security and prosperity during the pandemic. The approaches are in no way exhaustive in scope. Instead, each policy is proposed because of its ability to be implemented through executive action during the current state of emergency.

- **Unemployment Insurance: raise benefits and coverage to minimize unemployment and lost wages and salaries**

On March 18th, 2020, the Emergency Insurance Stabilization and Access Act of 2020 became law as part of H.R. 6201. This law allows states to modify their unemployment compensation laws and policies to better address the labor market impacts of the Coronavirus.[3] Unemployment insurance programs in the South need to be turbocharged given the millions of jobs at stake and the billions of dollars of potential lost wages and salaries. Implementing or expanding work share programs as part of the unemployment insurance program can serve to minimize wage loss caused by unemployment and preserve existing employee-employer matches.

Policymakers can address the increasing number of unemployment claims by dropping the existing requirements for minimum earnings and the one week waiting period to receive benefits so that a greater share of covered workers can claim unemployment compensation. Additionally, states may broaden unemployment insurance coverage to non-covered workers. Estimates from the U.S Bureau of Labor Statistic's Current Employment Survey shows that there were 36,691,400 nonfarm workers in the South during September 2019, over 600,000 more workers than the covered workers estimate.

Implementing or extending work share program incentivizes employers to keep employees on the payroll, even when hours are substantially reduced, by providing a wage replacement for hours lost from the pandemic. Work-sharing components of UI programs prevent substantial wage loss by allowing employers to pay for the hours they can afford while the state pays for the hours they can't. By providing an alternative to the all or nothing approach to unemployment compensation eligibility employers and employees are granted greater flexibility and discretion to modify their existing employment relationship and better adapt to the economic constraints of the pandemic. With workers still on the job, even under substantially reduced hours, they can maintain incomes close to their pre-pandemic level.

Work-sharing programs maintain the employer-employee relationship by preventing layoffs that would trigger a separation. It is costly for employees and employers to find each other in the labor market: costs associated with searching, onboarding, and training can prove substantial. Similarly, separations are costly for employees and employers because of the adjustments required to transition into a smaller workforce or unemployment. Furthermore, employers would like their current employees to return to work once the pandemic is resolved. With separations employer-employee relationships may not be preserved and the costs to resume business operations would be much higher with new staff.

States can offer a higher weekly unemployment benefit. Receiving the current weekly unemployment benefits exclusively is not an ample replacement for the wages and salaries lost in the pandemic. Unexpected declines in income may also have the precarious effect of increasing bankruptcies and poverty. The potential lost wages and salaries triggered by the pandemic will likely reach over $1 billion a week. According to data from the U.S. Department of Labor: Employment and Training Administration there were 445,331 initial unemployment insurance claims across the South in the fourth quarter of 2019. The maximum weekly benefit for these claims ranged from $235 in Mississippi to $502 in Kentucky. The initial claims during this period represent 1.5 percent of all covered employment in the region as of September 2019, which totals over 30 million jobs (See Table 5). Eight industries that are particularly vulnerable to layoffs during the pandemic represent 46.6 percent of all covered employment, more than 14 million jobs. The average monthly total wages paid to workers in these industries was $40.2 billion in the third quarter of 2019. In its current state, the unemployment insurance programs in the South provide less than $2 million a week in benefits.

Table 5: Total covered employment in the South by selected industry: Sept. 2019 Monthly				
Industry	Industry Code	Covered Employment	Share of Total Covered Employment	Average Monthly Total Wages for 2019 Q3 (billions)
Total, all industries	-	30,325,261	-	$125.8
Service-providing	-	24,989,532	82.4%	$100.5
Selected At-risk Industries	-	14,142,185	46.6%	$40.2
Retail trade	NAICS 44-45	4,057,836	13.4%	$10.3
Food services and drinking places	NAICS 722	3,117,396	10.3%	$4.9
Administrative and waste services	NAICS 56	2,505,429	8.3%	$7.9
Construction	NAICS 23	1,903,748	6.3%	$8.8
Other services, except public administration	NAICS 81	986,338	3.3%	$3.1
Arts, entertainment, and recreation	NAICS 71	610,210	2.0%	$1.7
Accommodation	NAICS 721	530,101	1.7%	$1.2
Transportation (selected)	NAICS 48	431,127	1.4%	$2.2

Source: U.S. Bureau of Labor Statistics Quarterly Census on Employment and Wages 2019 Quarter 3.

- **TANF block grants: increase income support to the non-employed**

The Temporary Assistance for Needy Families (TANF) program was designed to provide financial assistance to families with income constraints. A broad body of research has confirmed that direct cash assistance to families improves short- and long-term outcomes associated with education, health, and employment.[4] However, states have diverted much of the federal funds provided under TANF and State Maintenance-of-Effort (MOE) funds to other general purposes at the expense of direct cash assistance to families in economic need (see Table 6). Especially during a pandemic, low-income households need direct cash assistance to address their various needs; whether it be housing, food, clothes, medicine, disinfectants, etc.

Southern states spent $3.7 billion on federal and state TANF programs, accounting for about 11.8 percent of the $31.3 billion spent across the United States. However, Southern states only allocated 18.4 percent of their total federal and state TANF spending to basic assistance, which consists of direct cash assistance to poor families. Nationally, the share of total federal and state TANF spending on basic assistance was similarly low at 21.4 percent. Current TANF benefit levels for families offer little respite from economic insecurity. TANF monthly benefits for a single-parent family of 3 range from $170 in Mississippi to $442 in Virginia.[5]

Estimates on the number of individuals with incomes below 138 percent of the poverty threshold – 62 million in the United States and 18 million in the South – signal that current basic assistance spending is inadequate and does not meet the current needs of low-income households. However, the TANF infrastructure can be leveraged to increase benefits and coverage to the great number of households experiencing dramatic income losses during the pandemic. First, states can reduce the administrative barriers to lessen eligibility requirements to ensure comprehensive coverage of the non-employed population. Second, states must reallocate the highest possible level of current federal and state TANF dollars toward direct cash assistance in order to increase the benefit amount to maintain subsistence and prevent the deepening of poverty. The allocation of 90 percent of current federal and state TANF spending levels would increase direct cash assistance dollars by 490 percent to $3.3 billion in the South. Spending for programs currently funded by TANF such as child welfare, pre-K, and child care would require allocations from state budgets or rainy day funds to maintain critical services. The significant expansion of unemployment insurance and TANF programs, through available state of emergency executive powers, is a speedy and comprehensive approach to securing Americans and the American economy from economic disaster during a pandemic.

Table 6: Total federal & state TANF spending for the U.S. and South by selected category: 2018

Spending Category	**United States**		**South**	
	Spending	Share	Spending	Share
Basic Assistance	$6,710,933,538	21.4%	$681,609,268	18.4%
Work Activities	$3,340,086,035	10.7%	$252,471,850	6.8%
Work Supports and Supportive Services	$852,016,812	2.7%	$107,199,523	2.9%
Child Care	$5,326,109,706	17.0%	$683,546,129	18.4%
Administration & Systems	$3,116,933,395	9.9%	$369,486,325	10.0%
Tax Credit	$2,822,846,885	9.0%	$13,627,017	0.4%
Pre-K	$2,602,827,556	8.3%	$413,696,596	11.2%
Child Welfare	$2,621,131,733	8.4%	$940,079,315	25.3%
Other	$4,211,128,008	13.4%	$401,644,750	10.8%
Total Funds Spent & Transferred	$31,336,366,706	-	$3,708,637,387	-

Source: U.S. Department of Health and Human Services Office of Family Assistance TANF Financial Data -FY 2018 Table B.: Total Federal TANF and State MOE Expenditures in FY 2018. Burnside, Ashley & Schott, Liz. (2020). States Should Invest More of Their TANF Dollars in Basic Assistance for Families. Center on Budget and Policy Priorities.

- **Medicaid: expand public health coverage to promote public health**

During a pandemic, it is critical that executive action is taken to implement or extend Medicaid at the state level. States have the ability to provide comprehensive health insurance to those in need without the burden of premiums or deductibles. Yet, across the United States, 14 states have yet to expand Medicaid under the Affordable Care Act (ACA) – including seven in the South. Expanding comprehensive Medicaid coverage is crucial given that 28.6 million Americans lack health insurance coverage, including 9 million in the South. Medicaid expansion by these remaining states would extend insurance to 1.3 million Southerners.[6] The existing Medicaid infrastructure is capable of achieving even greater coverage levels. The potentially massive scope of layoffs will necessitate that workers and their families have public health care coverage in order to prevent lapses in care and reduce the public's health risk during a pandemic.

Greater access to health care will increase the ability of individuals to receive care for illnesses triggered by the pandemic along with the preventative care that can stifle further contagion. Additionally, broad access to comprehensive Medicaid coverage offers service providers the benefit of reducing the administrative costs of dealing with numerous insurance companies with distinct levels of coverage. As a result, Medicaid can serve as an efficient and effective approach to fill gaps in health coverage while maintaining the infrastructure of predominantly private service providers.

Conclusion

Governments must act quickly and boldly to address the specter of health and economic disaster. This report equips policymakers and stakeholders with an assessment of the economic risks associated with the pandemic for Southern states. Additionally, it provides policy approaches that leverage existing government programs of unemployment insurance, TANF, and Medicaid through executive action to promote broad economic security and prosperity during the pandemic. As of publication the pandemic has no clear end date in sight. Governments must be bold and exhaustive in quickly pushing the limits of public assistance policy to mediate this disaster and prepare for post-pandemic life.

Endnotes

[1] U.S. Bureau of Labor Statistics. (2012) The Recession of 2007-2009. BLS Spotlight on Statistics.

[2] Author estimate based on 7.8 percent spending decline from 2018 annual national and state figures from the U.S. Bureau of Economic Analysis SAEXP1 Total personal consumption expenditures by state 2018.

[3] H.R. 6201-17-(b) EMERGENCY FLEXIBILITY.—Notwithstanding any other law, if a State modifies its unemployment compensation law and policies with respect to work search, waiting week, good cause, or employer experience rating on an emergency temporary basis as needed to respond to the spread of COVID–19, such modifications shall be disregarded for the purposes of applying section 303 of the Social Security Act and section 3304 of the Internal Revenue Code of 1986 to such State law.

[4] National Academies of Sciences, Engineering and Medicine. (2019) A Roadmap to Reducing Child Poverty. Washington, D.C.: The National Academies Press.

[5] Burnside, Ashley & Floyd, Ife. (2019). More States Raising TANF Benefits to Boost Families' Economic Security. Washington, D.C.: Center on Budget and Policy Priorities.

[6] U.S. Census American Community Survey 2018 1-year estimates. Garfield, Rachel & Orgera, Kendal. (2020) The Coverage Gap: Uninsured poor adults in states that do not expand Medicaid. Henry J. Kaiser Family Foundation.