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Social Inequities in the USA: How this Country Fails Its Most Vulnerable

A Field Guide to Our Threadbare Social Safety Net

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Economic crises shine a spotlight on a society's inequities and hierarchies, as well as its commitment to support those who are most vulnerable in such grievous moments. The calamity created by Covid-19 is no exception. The economic fallout from that pandemic has tested the nation's social safety net as never before.

Between February and May 2020, the number of unemployed workers soared more than threefold — from 6.2 million to 20.5 million. The jobless rate spiked in a similar fashion from 3.8% to 13.0%. In late March, weekly unemployment claims reached 6.9 million, obliterating the previous record of 695,000, set in October 1982. Within three months, the pandemic-produced slump proved far worse than the three-year Great Recession of 2007-2009.

Things have since improved. The Bureau of Labor Statistics (BLS) announced in December that unemployment had fallen to 6.7%. Yet, that same month, weekly unemployment filings still reached a staggering 853,000 and though they fell to just under 800,000 last month, even that far surpassed the 1982 number.

And keep in mind that grim statistics like these can actually obscure, rather than illuminate, the depths of our current misery. After all, they exclude the 6.2 millionAmericans whose work hours had been slashed in December or the 7.3 million who had simply stopped looking for jobs because they were demoralized, feared being infected by the virus, had schoolchildren at home, or some of the above and more. The BLS's rationale for not counting them is that they are no longer part of what it terms the "active labor force." If they had been included, that jobless rate would have spiraled to nearly 24% in April and 11.6% in December.

Degrees of Pain

To see just how unevenly the economic pain has been distributed in America, however, you have to dig far deeper. A recent analysis by the St. Louis Federal Reserve did just that by dividing workers into five separate quintiles based on their range of incomes and the occupations typically associated with each.

The first and lowest-paid group, including janitors, cooks, and housecleaners, made less than $35,000 annually; the second (construction workers, security guards, and clerks, among others) earned $35,000-$48,000; the third (including primary- and middle-school teachers, as well as retail and postal workers), $48,000-$60,000; the fourth (including nurses, paralegals, and computer technicians), $60,000-$83,000; while employees in the highest-paid quintile like doctors, lawyers, and financial managers earned a minimum of $84,000.

More than 33% of those in the lowest paid group lost their jobs during the pandemic, and a similar proportion were forced to work fewer hours. By contrast, in the top quintile 5.6% were out of work and 5.4% had their hours cut. For the next highest quintile, the corresponding figures were 11.4% and 11.7%.

Workers in the bottom 20% of national income distribution have been especially vulnerable for another reason. Their median liquid savings (readily available cash) averages less than $600 compared to $31,300 for those in the top 20%.

Twelve percent of working Americans can't even handle a $400 emergency; 27% say they could, but only if they borrowed, used credit cards, or sold their personal possessions.

Under the circumstances, it should scarcely be surprising that the number of hungry people increased from 35 million in 2019 to 50 million in 2020, overwhelming food banks nationwide. Meanwhile, rent and mortgage arrears continued to pile up. By last December, 12 million people already owed nearly $6,000 each on average in past-due rent and utility bills and will be on the hook to their landlords for those sums once federal and statemoratoriums on evictions and foreclosures eventually end.

Meanwhile, low-income workers struggled to arrange child-care as schools closed to curtail coronavirus infections. Women have borne the brunt of the resulting burden. By last summer, 13% of workers, unable to afford childcare, had already quit their jobs or reduced their hours, and most held low-wage jobs to begin with. Forty-six percent of women have jobs with a median hourly wage of $10.93 an hour, or less than $23,000 a year, far below the national average, now just shy of $36,000. In some low-wage professions, like servers in restaurants and bars, women are (or at least were) 70% of the workforce. A disproportionate number of them were also Black or Hispanic.

Before the pandemic, 57% of women in low-wage occupations worked full-time and 15% of them were single parents. Close to one-fifth had children under four years old and contend with full-time care that, on average, costs $9,598 yearly. If that weren't enough, at least 25% of such low-wage jobs involved shifting or unpredictable schedules.

Much has been made recently of the wonders of "telecommuting" to work. But here again there's a social divide. People with at least a college degree, who are more likely to possess the skills needed for higher-paying jobs, have been "six times more likely" to telecommute than other workers. Even before the pandemic, 47% of those with college degrees occasionally worked from home, versus 9% of those who had completed high school and a mere 3% of those who hadn't.

Now, add to the economic inequities highlighted by the pandemic slump those rooted in race. Black and Hispanic low-income workers have been doubly disadvantaged. In 2016, the median household wealth of whites was already 10 times that of Blacks and more than eight times that of Hispanics, a gap that has generally been on the increase since the 1960s. And because those two groups have been overrepresented among low-wage occupations most affected by unemployment in the last year, their jobless rate during the pandemic has been much higher.

Unsurprisingly, an August Pew Research Center survey revealed that significantly more of them than whites were struggling to cover utility bills and rent or mortgage payments. After Covid-19 hammered the economy, a much higher proportion of them were also hungry and had to turn to food pantries, many for the first time.

In these months Americans who are less educated, hold low-income jobs, and are minorities — Asians excepted, since they, like whites, are underrepresented in low-wage professions — have been in an economic Covid-19 hell on Earth. But isn't the American social safety net supposed to help the vulnerable in times of economic distress? As it happens, at least compared to those of other wealthy countries, it's been remarkably ineffective.

Sizing Up the Social Safety Net

In a Democratic presidential debate in October 2015, Bernie Sanders observed that Scandinavian governments protect workers better thanks to their stronger social safety nets. Hillary Clinton promptly shot back, "We are not Denmark. We are the United States of America." Indeed we are.

This country certainly does have a panoply of social welfare programs that the federal government spends vast sums on — around 56% of the 2019 budget, or nearly $2.5 trillion. So, you might think that we were ready and able to assist workers hurt most by the Covid-19 recession. Think again.

Social Security consumes about 23% of the federal budget. Medicare, Medicaid, and the Children's Health Insurance Program together claim another 25% (with Medicare taking the lion's share).

Social Security and Medicare, however, generally only serve those 65 or older, not the jobless. With them excluded, two critical areas for most workers in such an economic crisis are healthcare and unemployment insurance.

About half of American workers rely on employer-provided health insurance. So, by last June, as Covid-19 caused joblessness to skyrocket, nearly eight million working adults and nearly seven million of their dependents lost their coverage once they became unemployed.

Medicaid, administered by states and funded in partnership with the federal government, does provide healthcare to certain low-income people and the 2010 Affordable Care Act (ACA) also required states to use federal funds to cover all adults whose incomes are no more than 30% above the official poverty line. In 2012, though, the Supreme Court ruled that states couldn't be compelled to comply and, as of now, 12 states, eight of them southern, don't. (Two more, Missouri and Oklahoma, have opted to expand Medicaid coverage per the ACA, but haven't yet implemented the change.) People residing in non-ACA locales face draconian income requirements to qualify for Medicaid and, in almost all of them, childless individuals aren't eligible, no matter how meager their earnings.

While Medicaid enrollment does increase with rising unemployment, not all jobless workers qualify, even in states that have expanded coverage. So unemployed workers may find that they earn too much to qualify for subsidies but not enough to purchase private insurance, which averages $456 a month for an individual and $1,152 for a family. Then there are steeply rising out-of-pocket expenses — deductibles, copayments, and extra charges for services provided by out-of-network doctors. Deductibles alone have, on average, gone up by 111% since 2010, far outpacing average wages, which increased by only 27%.

The American health care system remains a far cry from the variants of universal health care that exist in Australia, Canada, most European countries, Japan, New Zealand, and South Korea. The barrier to providing such care in the U.S. isn't affordability, but the formidable political power of a juggernaut healthcare industry (including insurance and drug companies) that opposes it fiercely.

As for unemployment insurance, the American version — funded by state and federal payroll taxes and supplemented by federal money — remains, at best, a bare-bones arrangement. Coverage used to last a uniform 26 weeks, but since 2011, 13 states have reduced it, some more than once, while also paring down benefits (especially as claims soared during the Great Recession).

So if you lose your job, where you live matters a lot. Many states provide benefits for more than half a year, Massachusetts for up to 30 weeks. Michigan, South Carolina, and Missouri, however, set the limit at 20 weeks, Arkansas at 16, Alabama at 14. The weekly payout also varies. Although the pre-pandemic national average was about $387, the maximum can run from $213 to $823, with most states providing an average of between $300 and $500.

Except in unusual times like these, when the federal government provides emergency supplements, unemployment benefits replace only about a third to a half of lost wages. As for the millions of people who work in the gig economy or are self-employed, they are seldom entitled to any help at all.

The proportion of jobless workers receiving unemployment benefits has also been declining since the 1980s. It's now hit 27% nationally and, in 17 states, 20% or less. There are multiple reasons for this, but arguably the biggest one is that the system has been woefully underfunded. Taxes on wages provide the revenue needed to cover unemployment benefits, but in 16 states, the maximum taxable annual amount is less than $10,000 a year. The federal equivalent has remained $7,000 — not adjusted for inflation — since 1983. That comes to $42 per worker.

The $2-trillion Coronavirus Aid, Relief, and Economic Security Act and the subsequent $900-billion Pandemic Relief Bill did provide federal funds to extend unemployment benefits well beyond the number of weeks set by individual states. They also covered gig workers and the self-employed. However, such exceptional and temporary rescue measures — including the one President Joe Biden has proposed, which includes a weekly supplement of $400 to unemployment benefits and seems likely to materialize soon — only highlight the inadequacies of the regular unemployment insurance system.

Other parts of the social safety net include housing subsidies, the Supplementary Nutrition Assistance Program (SNAP, formerly the Food Stamp Program), Temporary Aid to Needy Families, and childcare subsidies. After surveying them, a recent National Bureau of Economic Research study concluded that they amounted to an ill-funded labyrinthine system rife with arcane eligibility criteria that — the elderly or the disabled aside — actually aids fewer than half of low-income families and only a quarter of those without children.

This isn't an unfair assessment. The Government Accountability Office reports that, of the 8.5 million children eligible for child-care subsidies, only 1.5 million (just under 18%) actually receive any. Even 40% of the kids from households below the poverty line were left out.

Similarly, fewer than a quarter of qualified low-income renters, those most vulnerable to eviction, receive any Department of Housing and Urban Development subsidies. Because median rent increased 13% between 2001 and 2017 while the median income of renters (adjusted for inflation) didn't budge, 47% of them were already "rent burdened" in the pre-pandemic moment. In other words, rent ate up 30% or more of their annual income. Twenty-four percent were "severely burdened" (that is, half or more of their income). Little wonder that a typical family whose earnings are in the bottom 20% had only $500 left over after paying the monthly rent, according to the Bureau of Labor Statistics, even before Covid-19 hit.

SNAP does better on food, covering 84% of those eligible, but the average benefit in 2019, as the Center for Budget and Policy Priorities noted, was $217, "about $4.17 a day, $1.39 per meal." Mind you, in about one-third of recipient households, at least two people were working; in 75%, at least one. Not for nothing has the term "working poor" become part of our political vocabulary.

Is Change in the Air?

During crises like the present one, our moth-eaten safety net has to be patched up with stopgap legislation that invariably produces protracted partisan jousting. The latest episode is, of course, the battle over President Joe Biden's plan to provide an additional $1.9 trillion in relief to a desperate country.

Can't we do better? In principle, yes. After all, many countries have far stronger safety nets that were created without fostering indolence or stifling innovation and, in most instances, with a public debt substantially smaller relative to gross domestic product than ours. (So much for the perennial claims from the American political right that attempting anything similar here would have terrible consequences.)

We certainly ought to do better. The United States places second in the Organization for Economic Cooperation and Development's overall poverty index, which includes all 27 European Union countries plus the United Kingdom and Canada, as well as in its child-poverty-rate ranking.

But doing better won't be easy — or perhaps even possible. American views on the government's appropriate economic role differ substantially from those of Canadians and Europeans. Moreover, corporate money and that of the truly wealthy already massively influence our politics, a phenomenon intensified by recent Supreme Court decisions. Proposals to fortify the safety net will, therefore, provoke formidable resistance from armies of special interests, lobbyists, and plutocrats with the means to influence politicians. So if you're impatient for a better safety net, don't hold your breath.

And yet many landmark changes that created greater equity in the United States (including the 13th Amendment, which abolished slavery, the 19th Amendment, which guaranteed women voting rights, the New Deal, the creation of Medicaid, and the civil rights legislation of the 1960s) once seemed inconceivable. Perhaps this pandemic's devastation will promote a debate on the failures of our ragged social safety net.

Here's hoping.

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