

EMPLOYMENT CHANGES DURING COVID-19

The Importance of Employer Attachment



Executive Summary

Early in the COVID-19 pandemic, U.S. unemployment peaked at 14.4%. While some workers have returned to payrolls, others have been left behind. This brief examines the nuances of employment changes over the course of the pandemic and the impact of those changes on household financial well-being.

Our study finds that the proportion of employees who were laid off peaked in the spring of 2020 and has only recently returned to pre-pandemic levels. Meanwhile, self-employment rose during the pandemic by 42% between the springs of 2020 and 2021. In households where someone lost a job during the pandemic, rates of financial hardship were three times higher than in households that had steady employment for all members, despite expanded unemployment assistance and the receipt of economic impact payments.

When looking at the differences in types of job loss, we found that furloughed employees were able to return to work full time at higher rates than employees who were laid off. Households with a laid off employee had higher rates of difficulty paying rent (19%) compared to households with a furloughed member (14%). However, these rates decreased for both types of households as the pandemic progressed.

Although employees who were furloughed lost employment temporarily, they still fared better than employees who were laid off, signaling the importance of employees remaining attached to their employers. Programs such as the Paycheck Protection Program (PPP) and Employee Retention Credit (ERC) incentivized employers to keep workers attached to them, but these programs could be improved via additional funding and improved distribution.

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Background

EMPLOYER ATTACHMENT AND SELF-EMPLOYMENT

The COVID-19 pandemic has disrupted many aspects of economic life, including employment arrangements. The unemployment rate peaked in the early weeks of the pandemic, reaching a high of 14.4% in April 2020, a three-fold jump from February. Though many of the jobs lost have been regained, job recovery rates lag for Black and Hispanic workers, workers with less than a college education and mothers with school-age children¹.

Workers who were furloughed rather than laid off by their employers had the advantage of uninterrupted access to employer benefits, such as health insurance, while still being able to receive unemployment assistance. By maintaining a connection to their employer during the pandemic, regaining employment may be easier for furloughed employees than those who had to re-start job searches. Job losses and economic disruption during the pandemic also meant workers might test the waters of self-employment. Yet there are two competing narratives concerning self-employment: that it may mean new economic opportunities via entrepreneurship or that it is an unstable way to survive economically², particularly after a job loss³. The purpose of this brief is to examine employment changes during the COVID-19 pandemic and how these changes related to household financial well-being.

Methods

This brief includes data from the nationally representative Socioeconomic Impacts of COVID-19 Survey conducted by the Social Policy Institute at Washington University in St. Louis (SPI) which includes roughly 5,000 respondents followed over five waves from late April 2020 to May 2021. The purpose of the survey was to understand the social and economic consequences of the COVID-19 pandemic. You can learn more about the survey and its data collection through the [survey methodology report](#).

Findings

EMPLOYMENT STATUS CHANGES

As reflected in national employment figures⁴, survey respondents who had a job with an employer dropped dramatically from just before the start of the pandemic through the spring of 2020 – a 12% decline – and then leveled off. Similarly, the proportion of those who were laid off peaked during this period, returning almost to pre-pandemic levels by June 2021. Meanwhile, self-employment rose steadily during the pandemic by 42% from Wave 1 to Wave 5 (Figure 1).

The ratio of those working for an employer to those who are self-employed dropped from 5.14 pre-pandemic to 3.26 by June 2021. These results suggest that a rising proportion of job recovery has been through self-employment.

JOB LOSS AND FINANCIAL HARDSHIP

Ordinarily, a job loss can be expected to increase the risk for financial hardship in a household. Yet, unemployment assistance was expanded—both in terms of the length of time people could get help and the amount of assistance

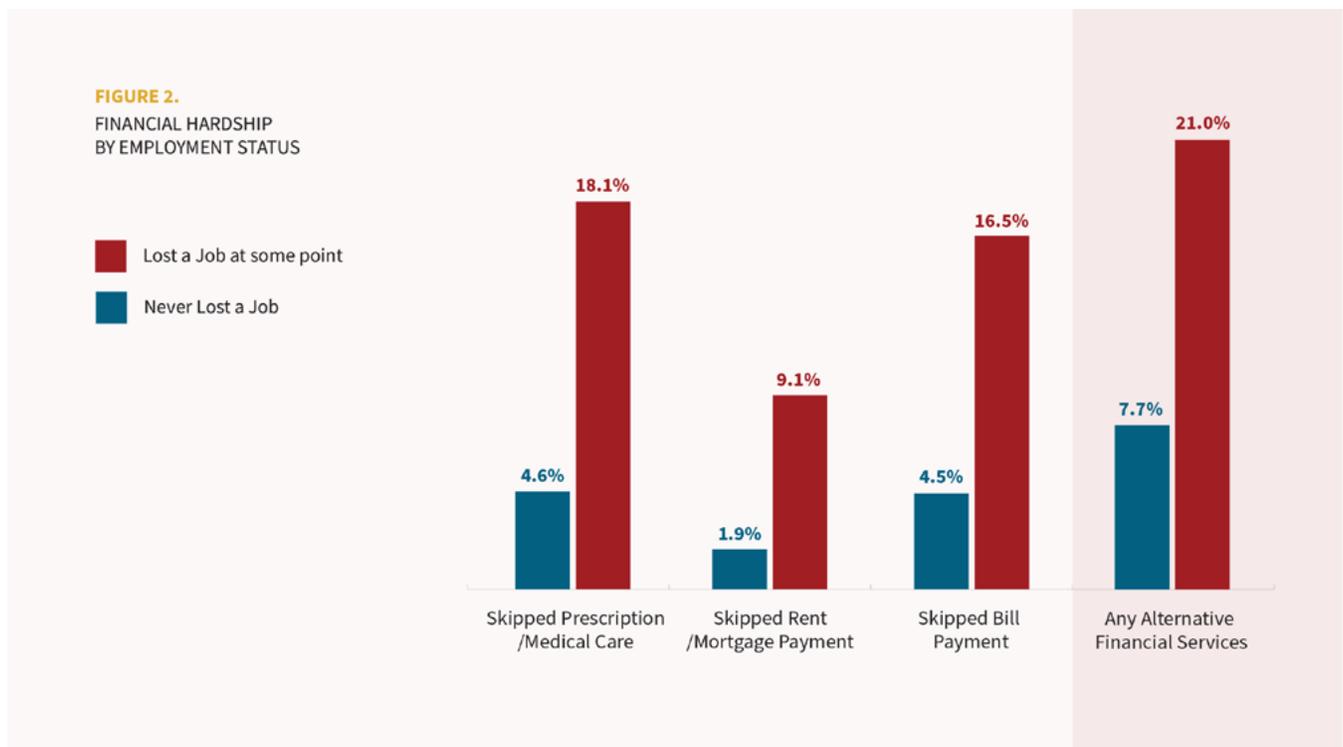
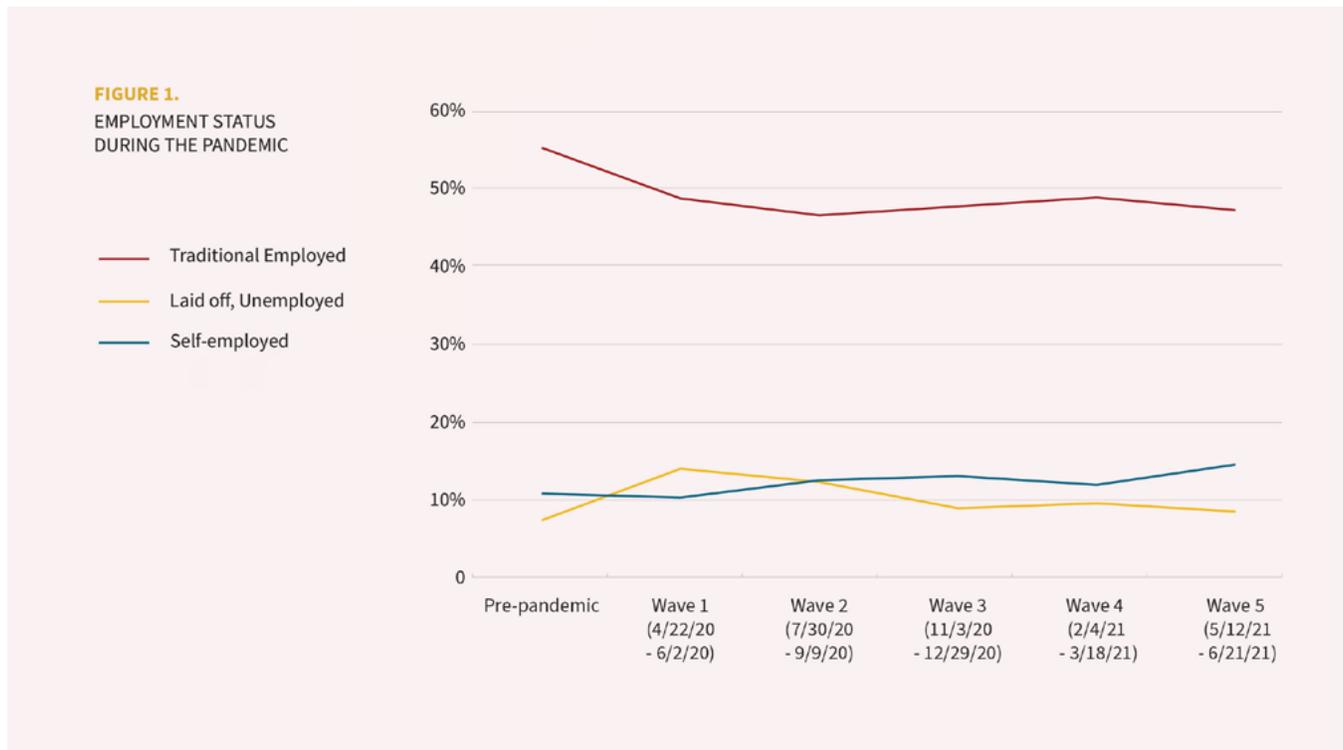
1 Heather Long, et al. “The COVID-19 recession is the most unequal in modern U.S. history,” *The Washington Post*, September 30, 2021. <https://www.washingtonpost.com/graphics/2020/business/coronavirus-recession-equality/>

2 Arnie L. Kalleberg, *Precarious lives: Job insecurity and well-being in rich democracies*. Cambridge, UK: Polity Press, 2018.

3 Jeremy Moulton & John Scott, “Opportunity or necessity? Disaggregating self-employment and entry at older ages,” *Social Forces* 94, no.4 (2016): 1539–66. <https://doi.org/10.1093/sf/sow026>

4 Sean Smith, Roxanne Smith & Hao Duong, “Unemployment rises in 2020, as the country battles the COVID-19 pandemic,” *U.S. Bureau of Labor Statistics*, June 2021. <https://www.bls.gov/opub/mlr/2021/article/unemployment-rises-in-2020-as-the-country-battles-the-covid-19-pandemic.htm>

offered to the unemployed. In addition to this, most households received three rounds of economic impact payments through the federal government. Moreover, spells of unemployment might have been very brief and, potentially, could be managed with expanded government aid.



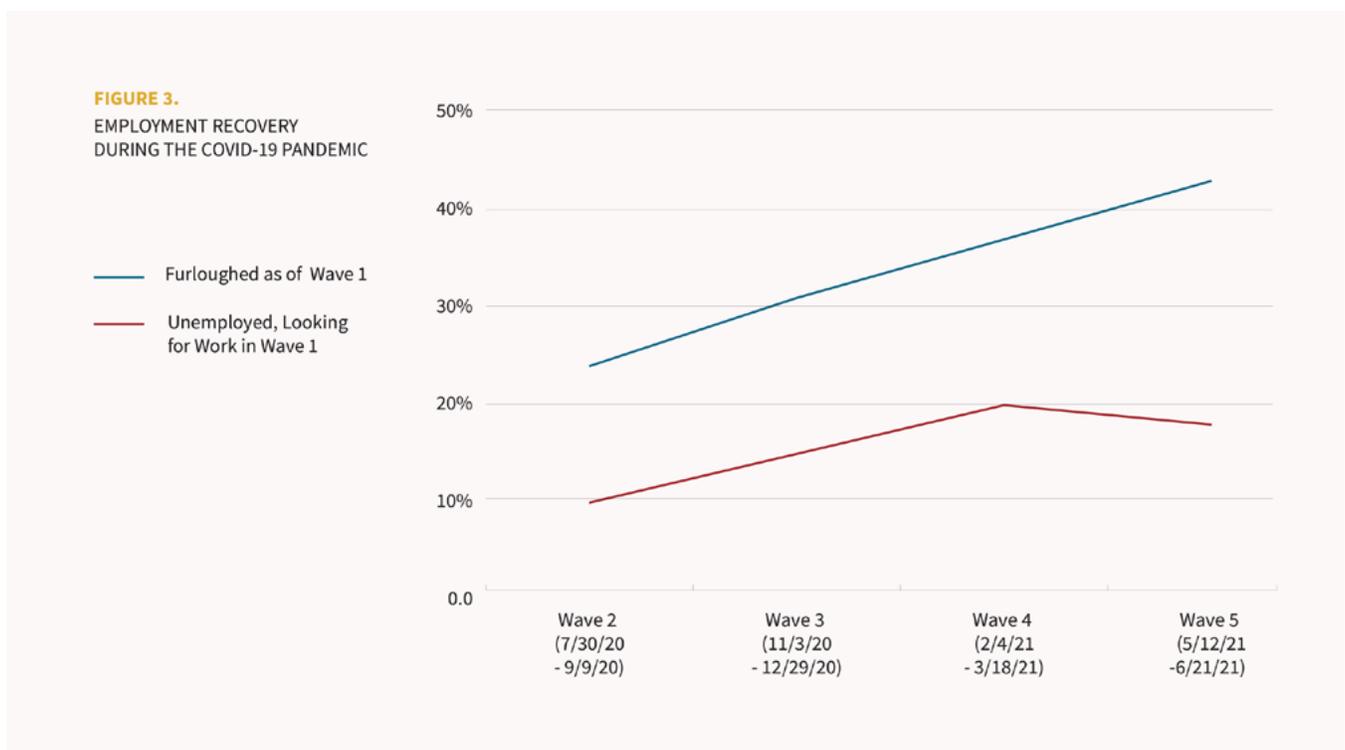
However, rates of financial hardship were three or more times higher in households where a member lost a job at some point during the pandemic than in households that maintained steady employment. This indicates that, despite the extra help from economic relief payments and unemployment assistance, it was much better for households to maintain steady employment.

The financial pressure on households that lost a job is also seen in the nearly tripled rate of using alternative financial services – things like payday loans and check cashing services, which may further erode family finances⁵.

JOB RECOVERY: FURLOUGHED AND LAID OFF

Experiencing hardship related to a job loss is made less difficult when households can regain employment as quickly as possible. Yet, this may depend on whether one maintains an attachment to their employer. As seen in Figure 3 below, those who were furloughed at the start of the pandemic regained full-time employment at a much higher rate than those who were laid off (Figure 3).

In every survey wave, full-time job recovery was much higher among those who were furloughed compared to those who were laid off. In fact, the percentage point gap in employment increased – from 14% greater employment in Wave 2 to 25% by Wave 5.



FINANCIAL HARDSHIP: FURLOUGHED AND LAID OFF

As reflected in Figure 2, losing a job increases household risk for financial hardship. But does the nature of the job loss matter? On the one hand, there is no difference between being furloughed and laid off in terms of not working and receiving earnings. Yet being furloughed means hanging on to employer benefits, such as health insurance, though it may be tough to afford making employee premium payments with no earned income.

⁵ Mathieu Despard, “Financial inclusion and social entrepreneurship” in *Social work entrepreneurship, intrapreneurship, and social value creation*, ed. Monica Nandan, Tricia B. Bent-Goodley, and Gokul Mandayam (Washington, DC: NASW Press, 2021), 70.

Figures 4a and 4b shed some light on the differences between being furloughed and unemployed by examining the rates of alternative financial service usage and skipping bills or housing payments for the two groups. For nearly all time periods, households where a member was laid off fared worse on these metrics than those who experienced a furlough.

Across time periods, the average rates of difficulties paying for housing and/or other bills and using alternative financial services were 19% and 17% among those who were laid off, compared to 14% and 13% among the furloughed, respectively. However, these difficulties declined over the course of the pandemic at similar rates for furloughed and laid off households.

FIGURE 4A.
USAGE OF ALTERNATIVE FINANCIAL SERVICES IN LAST 3 MONTHS

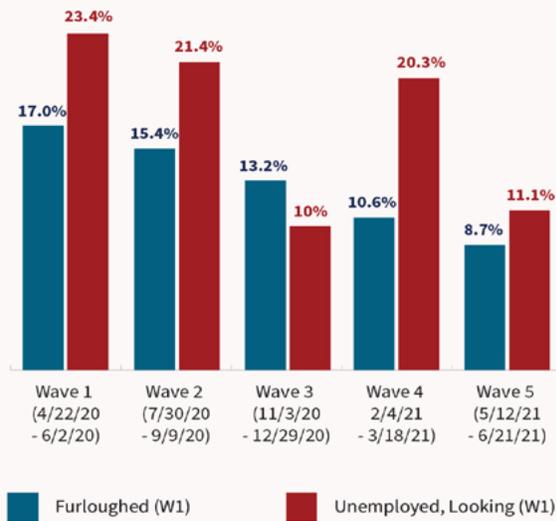
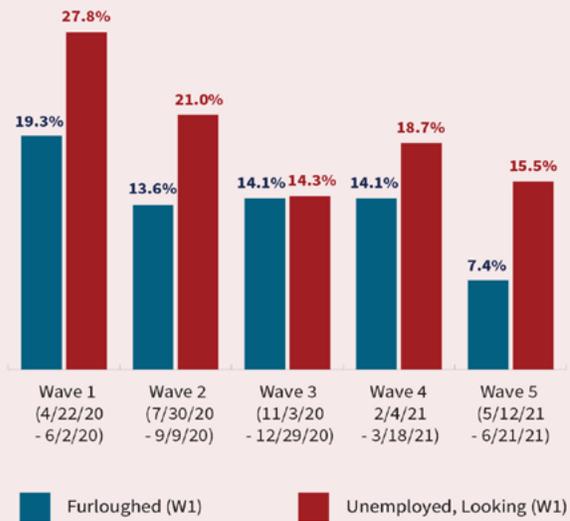


FIGURE 4B.
SKIPPED A BILL OR RENT PAYMENT IN LAST 3 MONTHS



Implications

A telling sign that the COVID-19 pandemic has impacted the economic lives of U.S. households is the change in employment status many individuals experienced. Some of the decline in working a “traditional” job (for an employer) was made up with gains in self-employment. Most likely, this activity was a survival response – finding a new way to make money during a major economic downturn. For example, people may have opted to start working in the gig economy, such as driving for a rideshare service. Given the careful planning that is required to launch a small business, the uptick in self-employment likely did not mean seizing on entrepreneurial opportunities.

The overall theme that emerges from this brief is that employer attachment is critical. Clearly, households that have been able to maintain steady employment through the pandemic are faring better. Despite losing earned income, those who were furloughed and maintained a connection to their employer are better off than those who were laid off. As we see in our findings, the degree of employer attachment matters; full-time work with a single employer that offers benefits is most strongly associated with financial well-being⁶.

Concerning public policies, federal and state government should communicate clearly with employers and employees about unemployment assistance being available to furloughed workers during economic crises. Some employers

6 Sheida Elmi, “The complete financial lives of workers: A holistic exploration of work and public and workplace benefit arrangements,” *Aspen Institute*, (2021). <https://www.aspeninstitute.org/wp-content/uploads/2021/03/The-Complete-Financial-Lives-of-Workers-AspenFSP.pdf>

might have laid off staff because they assumed furloughs would make workers ineligible for unemployment assistance. Similarly, some furloughed workers might have thought they were ineligible because they were merely “waiting” to return to work.

Though programs like the Paycheck Protection Program (PPP) and Employee Retention Credit (ERC) gave employers a strong incentive to furlough and not lay off their workers, there is room for improvement:

- The PPP ran out of money before the application deadline, which meant many small businesses lost out on larger loan opportunities through banks⁷.
- Loans did not reach regions hardest hit by the pandemic⁸ while the hardest hit industries (e.g., restaurants) received a lower share of loan proceeds⁹.
- The way PPP loans and unemployment assistance work has made it difficult for employers to figure out how to qualify for PPP loan forgiveness while ensuring workers could also receive unemployment benefits¹⁰.
- The PPP loan approval rate for Black business owners is less than half (25%) of the approval rate for white business owners (59%). Additionally, half of small businesses still have not received loan forgiveness from the first round of PPP loans in 2020¹¹.

Lastly, some employers who received PPP loans still laid off their workers – negating a key objective of the program.

The findings from this brief help illuminate the importance of employer attachment and policies to promote employee retention during an economic crisis. Yet employer attachment is an issue that extends well beyond the pandemic as the social contract between employers and employees gets renegotiated and re-shaped. To the extent that the future of work for many U.S. workers means less employer attachment and more economic precarity as a result, larger policy challenges loom with respect to the role of government in strengthening the economic safety net.

The research within this brief does not reflect the views or opinions of the funders.

7 Carmen Reinickie, “Paycheck Protection Program has run out of money for most borrowers: What you need to know,” *CNBC*, May 5, 2021. <https://www.cnbc.com/2021/05/05/ppp-has-run-out-of-money-for-most-borrowers-what-to-know.html>

8 João Granja et al. “Did the Paycheck Protection Program hit the target?” *National Bureau of Economic Research*, (2021). <https://www.doi.org/10.3386/w27095>

9 Justin Pritchard, “Worst hit sectors get smaller share of PPP loans,” *The Balance*, July 7, 2021. <https://www.thebalance.com/ppp-data-analysis-5069548>

10 Greg Iacurci, “How business and workers can keep PPP loan forgiveness and unemployment benefits,” *CNBC*, May 28, 2021. <https://www.cnbc.com/2020/05/28/how-businesses-and-workers-can-keep-ppp-loan-and-unemployment-benefits.html>

11 Luke Pardue, “What’s holding back PPP 2.0? A survey of small businesses,” *Gusto*, February 10, 2021. <https://gusto.com/company-news/whats-holding-back-ppp-2-0-a-survey-of-small-businesses>