

The Impact of COVID-19 on American Households

INSIGHTS FROM A LONGITUDINAL SURVEY



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About the Rustandy Center

The Rustandy Center for Social Sector Innovation is the destination at the University of Chicago Booth School of Business for people committed to helping solve complex social and environmental problems. As Chicago Booth's social impact hub, the Rustandy Center offers hands-on learning opportunities, supports innovative courses, and pursues research—all with the goal of developing people and practices with the potential to solve the world's biggest problems. <https://www.chicagobooth.edu/research/rustandy>

About the Poverty Lab

Founded in 2015, The University of Chicago Poverty Lab conducts rigorous experimental studies that lead to greater economic opportunity for communities that have been harmed by disinvestment and segregation. The lab partners with policymakers, community-based organizations and others to identify their most urgent and pressing challenges, co-generate evidence about what works, and translate findings into policy changes that reduce urban poverty and improve people's lives. One of five Urban Labs based at the Harris School of Public Policy, the Poverty Lab is led by Pritzker Director Marianne Bertrand, Chris P. Dialynas Distinguished Service Professor of Economics at the Booth School of Business.

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Executive summary

The COVID-19 pandemic triggered one of the largest public health and economic crises the U.S. has witnessed in modern history. A team of researchers at the Poverty Lab and the Rustandy Center for Social Sector Innovation at the University of Chicago in partnership with NORC at the University of Chicago, an independent and non-partisan research institution, has implemented a seven-wave longitudinal survey. The survey was administered to a representative sample of Americans drawn from NORC's probability-based AmeriSpeak Panel, to learn how the crisis has affected their economic situation, their views about institutions and policies, and their behaviors related to the pandemic. The findings emerging from this study highlight how the COVID-19 pandemic has exacerbated existing income, gender, and race inequalities, and affected Americans' trust in institutions, further increasing political divisions.

Highlights from April to October:

Economic Impact

- The pandemic has disproportionately impacted low-income households, women, and racial minorities. While more than half of respondents reported a drop in income between February and October regardless of their socioeconomic status, 55 percent of households earning less than \$30,000 a year pre-pandemic reported experiencing a drop in household revenues equivalent to at least 20 percent of their annual income in at least one month of the pandemic, compared to 33 percent of households in higher income groups.
- Americans are experiencing financial hardship. Among low-income households, 17 percent have missed at least one rent or mortgage payment between March and October, compared to 7 percent of higher income households. Over 25 percent have missed a credit card or a loan payment since the start of the pandemic, compared to 12 percent of higher income households.

Trust in Institutions and Policy Support

Americans have substantially reduced their confidence in several institutions between April and October. Furthermore, as the pandemic occurred during the months of a heated presidential political campaign, we find that Americans viewed the crisis through partisan lenses, affecting their beliefs and preferences about the role of government.

- Trust in institutions has decreased across both parties throughout the pandemic, with Republicans experiencing the largest decrease in trust in the scientific community and banks and financial institutions, while Democrats reported their largest drops in trust for the U.S. Congress, the private sector, and health insurance companies.
- Since April, fewer individuals believe that it is the government's responsibility to support the unemployed, with Republicans reporting the largest drop.

Health Impact

- We track respondents' exposure to the coronavirus. By October, about 70 percent of Americans report knowing someone who tested positive, and 1 in 5 Americans knew someone who passed away due to coronavirus.
- Support for universal health care has slightly increased over the course of the COVID-19 pandemic, and there is suggestive evidence that direct exposure to the health crisis, such as knowing someone who passed away due to COVID-19, marginally increased support for it.

COVID-19 Prevention Behaviors and Media Consumption

- Wearing a mask was politicized heavily early in the pandemic, leading to a large political divide in compliance. By October, over 85 percent of all Americans report covering their mouth in public, with Republicans increasing their likelihood to wear a mask from 35 percent in April to 81 percent in October.
- There are large differences in COVID-19 related news consumption by political party. In the period of April-July, 43 percent of Democrats reported consulting COVID-19 related news more than once a day, compared to 16 percent of the Republicans. However, by October, Americans have reduced their intake of such news regardless of their political affiliation.

Background

The COVID-19 pandemic triggered one of the most profound health and economic crises in modern history of the United States. The health crisis, followed by an economic downturn, put American families and institutions under unprecedented levels of stress. By April, it was already apparent how the crisis was affecting Americans differently depending on their income levels, race, and gender. As the crisis continues, this trend persists and further exaggerates pre-existing inequalities.

The pandemic also occurred at a time of great political polarization during the 2020 U.S. presidential election, which recorded the greatest voter turnout rate in the history of the country. Many economic and health policies were politicized and political affiliation played a role in Americans' views and trust in institutions.

A team of researchers at the Poverty Lab and the Rustandy Center for Social Sector Innovation at the University of Chicago in partnership with NORC at the University of Chicago, an independent, non-partisan research institution, implemented seven waves of a longitudinal survey, between April and October 2020. The survey reached a representative sample of Americans, drawn from NORC's probability-based AmeriSpeak Panel, and focused on understanding how the crisis was affecting their lives.

In this report, we summarize the key findings across several dimensions: economic impact; institutional trust and support for government intervention; health shocks and support for universal health care; and compliance with COVID-19 preventive behaviors. In the Appendix, we summarize the methodology.

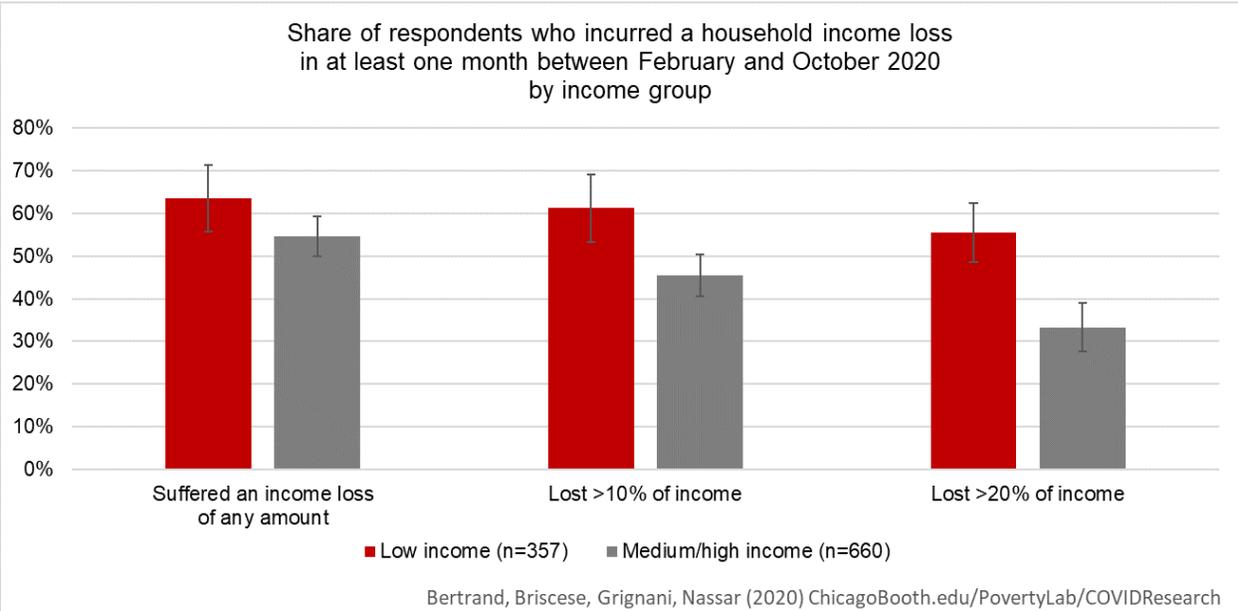
Economic Impact

Sixty percent of Americans earning below \$30,000 pre-COVID lost income. Low-income households also lost a higher fraction of their income and were less likely to recover income, compared with higher income households.

In the survey, respondents shared their monthly household income (from work and other sources) from February to October. This allowed us to track whether respondents incurred an income loss at any time, the magnitude of such loss, and whether or not households were able to recover by October.

The pandemic has disproportionately impacted low-income households. While more than 50 percent of respondents reported having lost a portion of income, for low-income households (i.e. those living on \$30,000 or less) losses are larger and lasted longer. Fifty-five percent of low-income households declared experiencing a drop in household revenues equivalent to at least 20 percent of their annual income in at least one month of the pandemic, and over 25 percent of low-income households reported an income in October that was still at least 20 percent lower than in February. The corresponding figures for higher-income households are 33 percent and 15 percent, respectively.

Figure 1: Income loss, by household income group

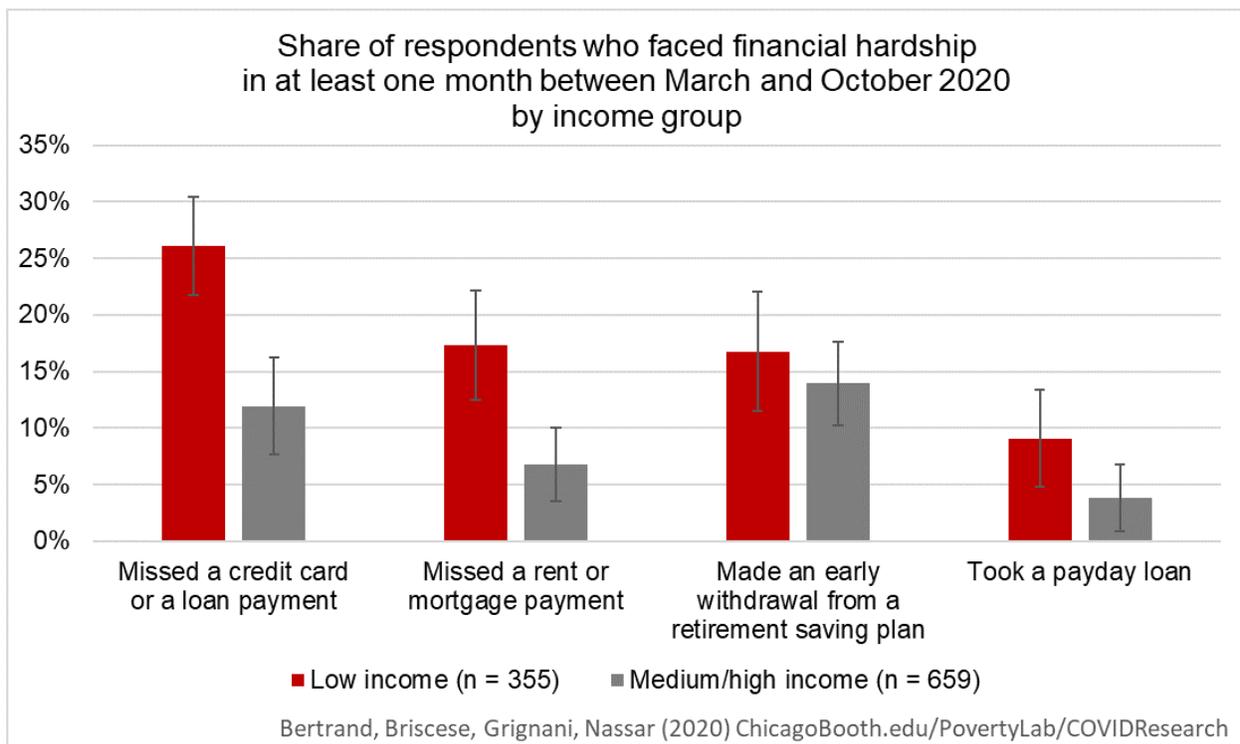


Note. The chart shows the share of respondents who incurred an income loss at the household level in at least one month between March and October 2020. The shocks are calculated with respect to the self-reported income in February. Household income is adjusted by household size.

Americans are experiencing financial hardship due to the crisis. Among low-income households, 17 percent have missed at least one rent or mortgage payment and over a quarter have missed a credit card or a loan payment since the start of the pandemic. Across income groups, about 15 percent of the families in our sample have withdrawn from their retirement savings, potentially undermining their future financial stability.

Americans are undergoing financial hardship with different intensity according to their income group. Twenty-seven percent of the low-income households have reported missing a credit card or a loan payment since the beginning of the pandemic, and 17 percent have not paid the rent or their mortgage on at least one occasion, potentially affecting their housing security. For medium- to high-income households, these figures are less than half, reflecting both the fact that they were less likely to have lost income and that they might have more means to face adversities. Nevertheless, households have withdrawn from their retirement savings in a similar way: about 17 percent of the respondents in the low-income bracket and 14 percent of middle/high income households report using this coping strategy. Finally, a smaller but significant portion of families have taken payday loans (about 9 percent and 4 percent, respectively), i.e. short-term unsecured cash advances characterized by high interest rates. This reported financial hardship carries additional potential negative consequences for future financial stability.

Figure 2: Financial hardship, by income group

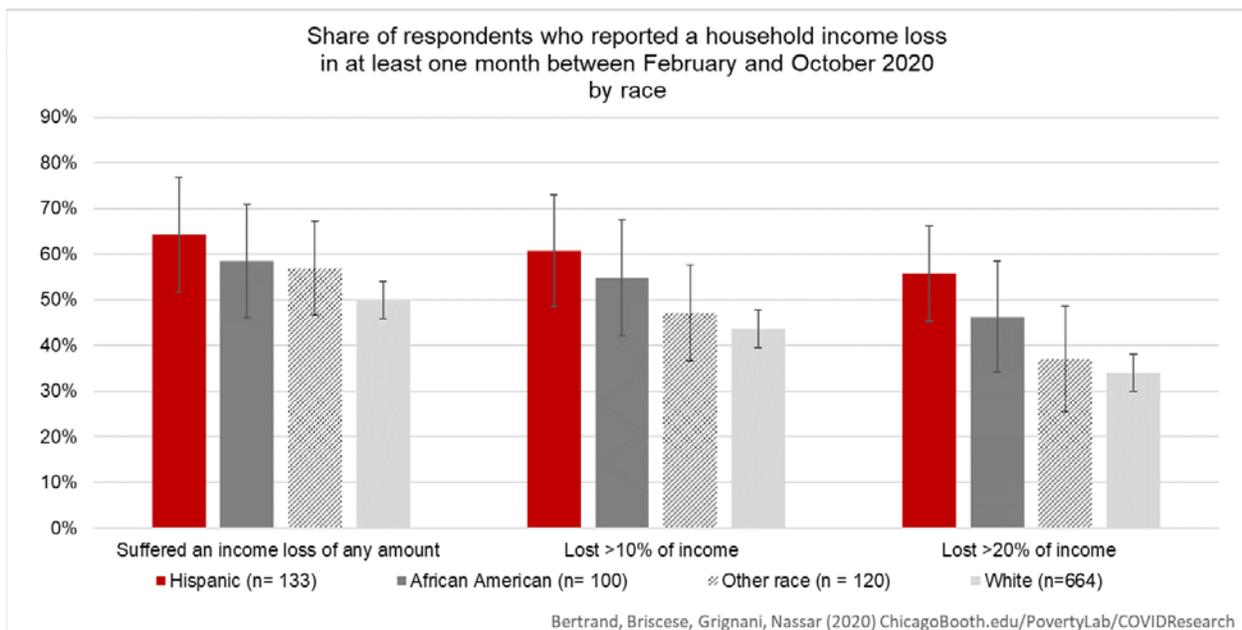


Note. The chart shows the share of respondents who faced any of these financial hardships at the household level in at least one month between March and October 2020.

Racial minorities lost income at a higher rate than White Americans. Over 50 percent of Hispanic and 46 percent of African American households lost more than 20 percent of their income in at least one month between February and October, compared to 33 percent of White households.

The pandemic has also impacted Americans unequally depending on their race. Across several measures of economic shock, racial minorities experienced higher and larger rates of income loss. About 50 percent of White respondents reported incurring a drop in revenues, while this figure increases to about 60 percent when considering respondents belonging to a racial minority. Moreover, the amount of income loss is greater for racial minorities: 47 percent of non-White individuals lost at least 20 percent of their income in at least one month of the pandemic, compared to 33 percent of White respondents, with these differences being statistically significant.

Figure 3: Income loss, by race

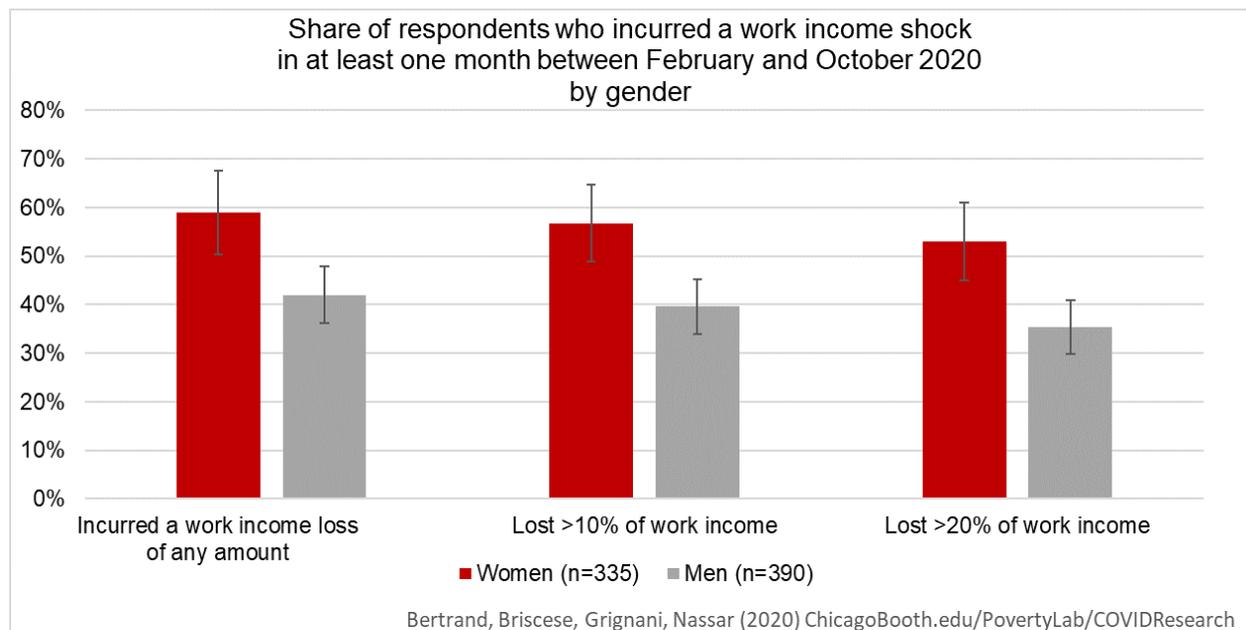


Note. The chart shows the share of respondents who incurred an income shock at the household level in at least one month between February and October 2020. The shocks are calculated with respect to the self-reported income in February.

Women are significantly more likely than men to have lost at least a portion of their work income. They are also more likely to report an income loss greater than 20 percent in the past months.

The insights emerging from the survey also reveal a crisis that was unequally distributed between genders. Women were significantly more likely to report a personal work income loss in at least one month between February and October 2020 (60 percent compared to 42 percent of men). Women were also more likely to report that such income loss was higher than 10 percent of their February work income (57 percent compared to 44 percent of men), and the same holds true when considering a drop of at least 20 percent of their February income (45 percent compared to 37 percent of men). Finally, women are less likely to have recovered from a loss in revenues, with 34 percent reporting a monthly income in October that is at least 10 percent lower than in February, compared to 23 percent of men, although this difference is not statistically significant.

Figure 4: Income loss, by gender



Note. The chart shows the share of respondents who incurred a work income shock, in at least one month between March and October 2020. The shocks are calculated with respect to the self-reported work income in February. In this case, only the respondents' work income is considered.

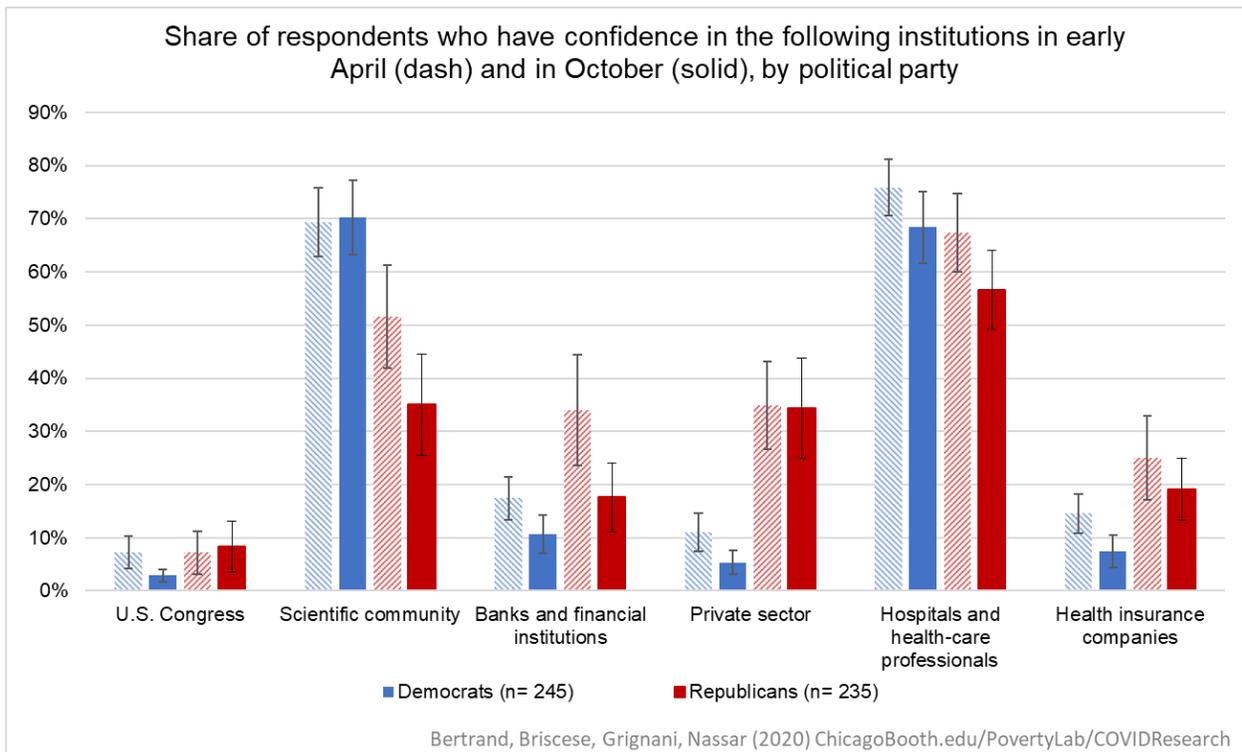
Trust in Institutions and Policy Preferences

Americans' trust in institutions has decreased throughout the pandemic, with Republicans experiencing the largest decrease in trust in the scientific community, and banks and financial institutions, while Democrats reported their largest drops in trust for the U.S. Congress, the private sector, and health insurance companies.

In line with what we reported in our previous [update](#), Americans' trust in most institutions has decreased during this crisis. We also find that the largest drop in confidence occurred over a short period of just four weeks in April 2020, and the lower levels of trust remained almost unvaried since then.

Furthermore, confidence in several institutions changed in a different way depending on respondents' political views. Democrats have significantly decreased their already very low levels of confidence in the U.S. Congress, as well as in banks and financial institutions, in the private sector, and in health insurance companies. On the other side, Republicans report decreasing levels of trust in the scientific community, and in banks and financial institutions; they are also less confident in health insurance companies, although not in a significant way.

Figure 5: Trust in institutions, by political party



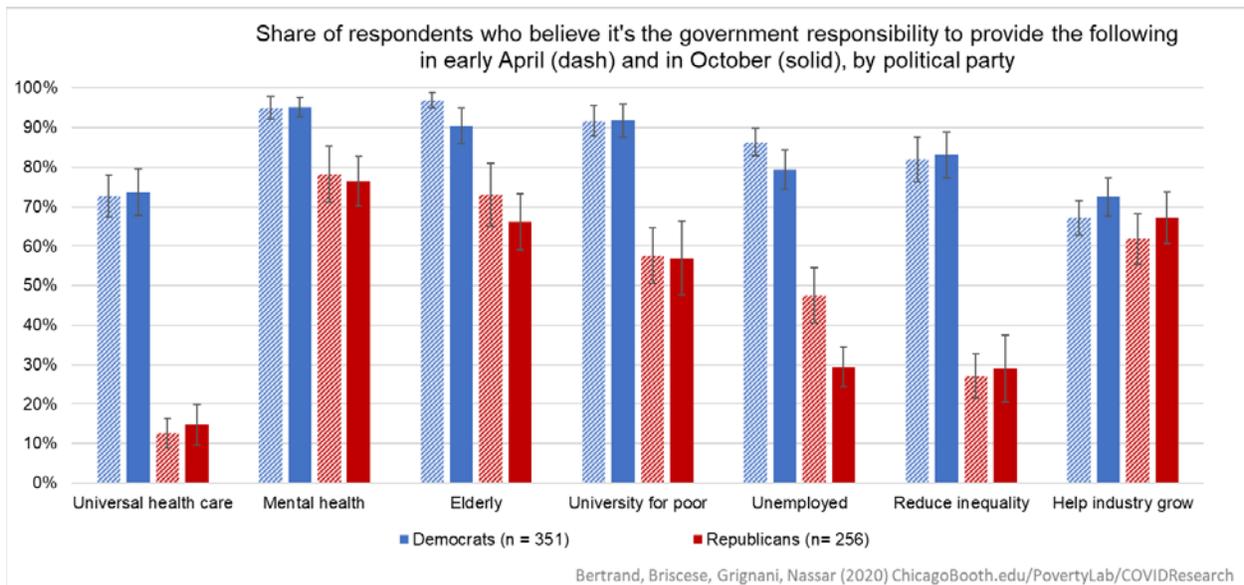
Note. The chart shows the share of respondents who have a “great deal” or “complete” confidence in people running the above institutions. Bars with stripe pattern refer to responses obtained in the first wave of the survey (in the first week of April), while solid bars show the responses from the seventh wave of the survey (third week of October). For easier reading, we omitted responses from Independents in the chart.

Since April, fewer individuals believe that it is the government’s responsibility to support the unemployed. This is true regardless of their political party, with Republicans reporting the largest drop.

Unsurprisingly, we recorded strong differences in support across party lines for public spending already at the baseline, with Democrats being more supportive than Republicans for government intervention across several policy areas except for the issue of providing industry with support to grow. The largest divide at baseline were on universal health care, investments to reduce inequality, and support for the unemployed.

Remarkably, Americans’ views on public and social policies have not changed significantly during the pandemic, except for a lowering support for policies to help the unemployed among Republicans.

Figure 6: Views on role of government, by political party



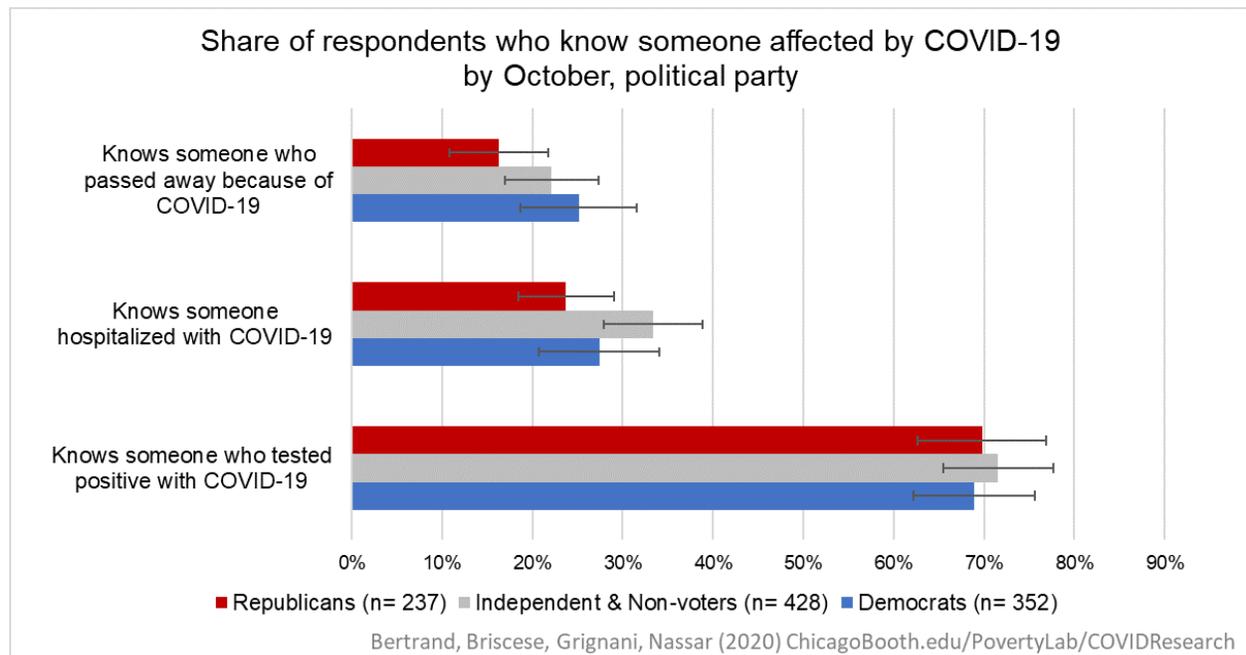
Note. The chart shows the share of respondents who agree or strongly agree with the fact that it is the responsibility of the government to provide for the series of policy interventions. Bars with stripe pattern refer to responses obtained in the first wave of the survey (in the first week of April), while solid bars show the responses from the seventh wave of the survey (third week of October). For easier reference, we omitted responses from Independents in the chart.

Health Impact

Americans have been exposed to COVID-19 in similar ways, regardless of their income, state, or political party. By October, about 70 percent of Americans report knowing someone who has tested positive and about 1 in 5 Americans knew someone who passed away due to coronavirus.

The COVID-19 pandemic has affected most Americans. While the virus outbreak was initially concentrated in densely populated cities, over the course of the year most states in the country faced an unprecedented health crisis. Our survey reveals that by October, the large majority of Americans (70 percent) know someone who tested positive for COVID-19, regardless of their political party or state. About 1 in 3 Americans know someone who has been hospitalized due to complications related to the virus, and about 1 in 5 Americans knew someone who passed away due to COVID-19. Across these dimensions we do not record statistically significant differences across parties: 69 percent of Democrats and 70 percent of Republicans know someone who tested positive with COVID-19, which further demonstrates the spread of the virus across the country, and 27 percent of Democrats and 24 percent of Republicans know someone who was hospitalized with COVID-19. We record a small difference across party lines on whether or not respondents knew someone who passed away because of COVID-19 (25 percent of Democrats and 16 percent of Republicans), although this difference is not statistically significant. These findings suggest that while the response to the health crisis has been politicized, the virus did not discriminate along party lines.

Figure 7: COVID-19 exposure to virus, by political party

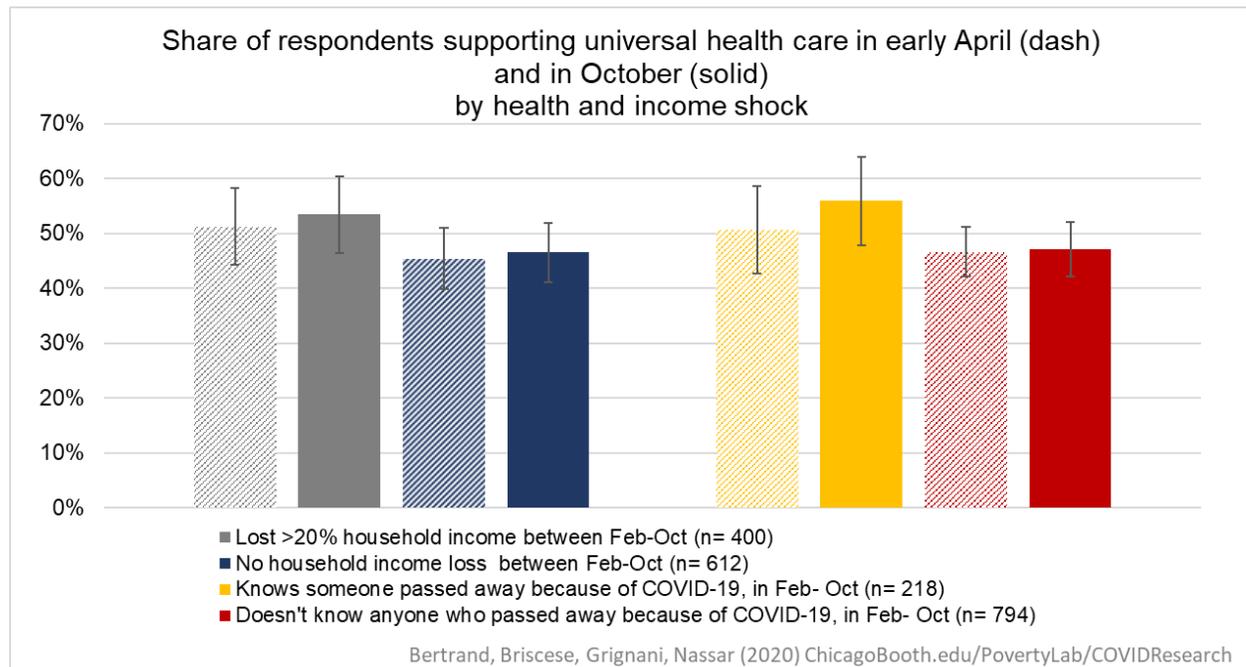


Note. The chart shows the share of respondents, according to their political affiliation, who know someone who tested positive with COVID-19, someone hospitalized with COVID-19, and someone who passed away because of the virus between February and October.

While support for universal health care did not change much over the course of the COVID-19 pandemic, there is suggestive evidence that a direct exposure to the health crisis, such as knowing someone who passed away due to COVID-19, might have marginally increased support for it.

The pandemic has triggered an unprecedented health and economic crisis in the United States. Previous studies have suggested that similar large-scale crises in other countries in the past have led to radical shifts in people’s preferences for social welfare policies.¹ We find that a direct health shock can lead individuals to marginally change their views on universal health care. Americans who know someone who passed away due to COVID-19 increased their support for universal health care from 51 percent in early April to 55 percent in October, compared to those who did not know anyone who passed away (for whom support for universal health care remained stable at 47 percent). While this difference is not statistically significant, it is worth noting how health shocks seem to have a somewhat larger effect than large income shocks in changing Americans’ views on this particular policy.

Figure 8: Support for universal health care



Note. The chart shows the share of respondents who support universal health care in early April (dash bars) and in October (solid bars). On the left side of the graph, we test whether incurring an income shock affects support for this policy, and separate among respondents who lost at least 20% of their income between February and October, and those who had no income losses. On the right side, we focus instead on health shocks, and plot separately respondents who knew someone who passed away because of the virus, and those who did not. Support for universal health care is measured on a scale from 1 (not at all) to 5 (completely), and we consider as “in support” respondents who assigned a score of 4 or 5.

¹ Giuliano, Paola, and Antonio Spilimbergo. "Growing up in a Recession." *Review of Economic Studies* 81, no. 2 (2014): 787-817.

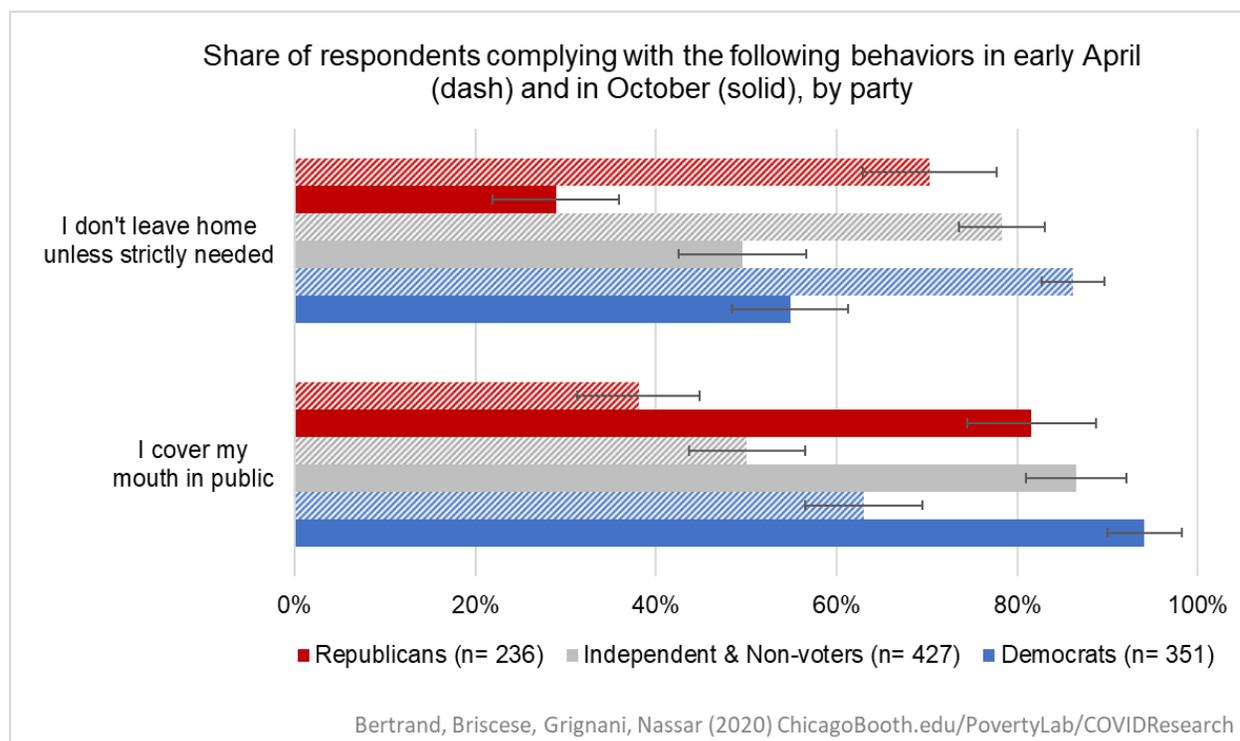
COVID-19 Prevention Behaviors

Over 85 percent of Americans reported wearing a mouth covering in public in October, with Republicans increasing their likelihood from 35 percent in April to over 80 percent in October.

According to the CDC and WHO guidelines, covering your mouth in public, such as by using a mask, can help reduce the spread of the virus. We find that the political divide on mask-wearing, although still present, has shrunk over time and compliance for wearing a mouth covering in public has increased for both Democrats and Republicans (92 percent and 81 percent).

In April, most Americans (about 80 percent) reported not leaving their homes unless strictly needed. This percentage decreased to about 50 percent in October as many states relaxed their stay-at-home measures, and there is a significant difference between Democrats (55 percent) and Republicans (28 percent) when it comes to avoiding leaving home unless strictly needed.

Figure 9: Compliance with COVID-19 prevention measures, by political party

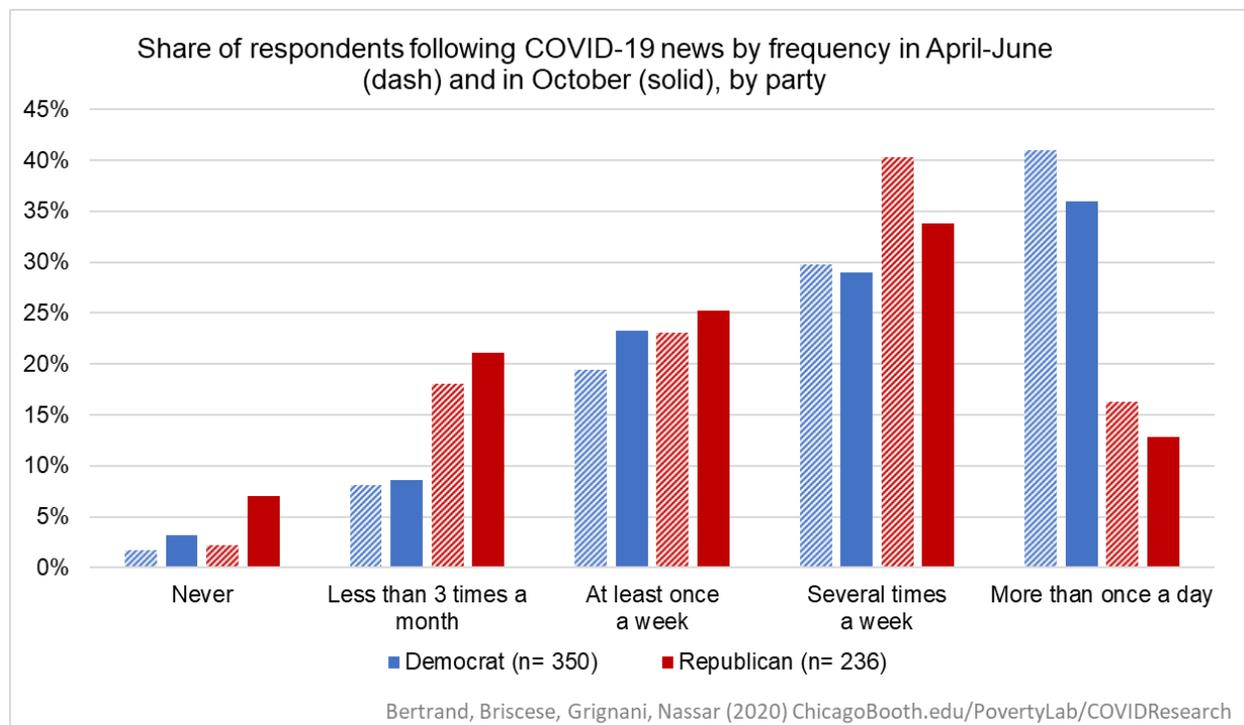


Note. The chart shows the share of respondents who report complying with two preventive measures - not leaving their homes unless strictly needed, and covering their mouths while in public, in early April (dash bars) and October (solid bars). We separate respondents according to their party affiliation.

There are large differences in COVID-19 related news consumption by political party: in April-July, 43 percent of Democrats reported consulting COVID-19 related news more than once a day, compared to 16 percent of the Republicans. However, in October, Americans have reduced their intake of COVID-19 news, regardless of their political affiliation.

The media played an important role in shaping views and influencing behaviors during the pandemic. Since the choice of information sources is strongly correlated with a person's political party, we analyzed COVID-19 news consumption by party. We find that Democrats were already more likely than Republicans to consume COVID-19 related news in April, and that difference remained constant over time. However, people affiliated with both parties had reduced their COVID-19 news consumption by October.

Figure 10: Consumption of COVID-19 news, by political party



Note. The chart shows the percentage of respondents that self-reported following COVID-19 related news never, less than three times per month, weekly, several times a week and more than once a day, according to their political party. The striped bars refer to the months of April-June, while the solid ones to October.

Appendix A: Methodology

The spread of the virus and its socioeconomic consequences have dominated the public discourse and media coverage in the United States for several months in the lead up to the elections of November 2020. During this relatively short but eventful period, government policies, prevention measures (e.g. mask-wearing), and beliefs in the dangers of the virus were politicized, thus making individuals' political preferences salient in the analysis. The pandemic, along with the crisis it triggered, affected millions of Americans, both from a health and a financial perspective, as shown above.

We administered a multi-wave panel survey, between the first week of April and October. Partnering with NORC at the University of Chicago, an independent, non-partisan research institution, we recruited a representative sample of the American population through their AmeriSpeak Panel. In total, we implemented seven survey waves. The first four waves took place on a weekly basis over the course of the month of April 2020, when COVID-19 cases and deaths were spiking in the United States, followed by two waves on a monthly basis between May and June 2020; the seventh and last wave took place in October, shortly before the U.S. presidential election. In the first wave, we interviewed 1,442 respondents, and in subsequent waves, we surveyed 1,000 to 1,200 of the same individuals.

In this report, we focused mainly on the first and the last wave of our survey, with the aim of tracking changes that have occurred in this time lapse. We considered only those observations who have completed both wave one and wave seven, about 1,070 individuals. Therefore, for each respondent, we can observe changes in time. We corrected for attrition across waves using survey weights.

We calculated the baseline household incomes by considering the self-reported income of both the respondents and their partners sharing a household, when applicable, adding their work income and alternative sources of revenues, such as rent, pensions, interest or social security. We then adjusted these values according to the household size, following the OECD guidelines, and calculated the income quintiles. We identified a “low income” sample, including households belonging to the two lowest quintiles and earning less than \$30,000 per year, and grouped the observations earning more in the “medium/high income” group. We asked respondents to report their income in several waves, so by comparing responses given at different times, we identified a set of 59 respondents who presented large inconsistencies and excluded them from the analysis.

Income shocks are defined in several ways. We consider if respondents incurred any household or work income loss, with the first measure referring to all sources of income in the household and the second one only to the respondents' work. We calculate if the amount of income loss was greater than 10 percent or 20 percent between any two consecutive months. These latter two variables flag whether respondents underwent a sudden large income loss. We also consider the overall variation in income between February and October, with the aim of identifying individuals who have not recovered from the income shock. When analyzing the evolutions of support for universal health care in time, we consider the shocks occurred

between April and October (the first and the last wave), in order to better disentangle the impact of such drops in income.

We also track financial shocks by asking respondents to report the impact that income losses have on their consumer behaviors. This allows us to understand some of the consequences associated with such losses and helps identify respondents that may have a larger safety net through savings, network, or other means. We asked respondents whether they missed a credit card or a loan payment, a rent or a mortgage payment, and whether they had to take a payday loan or withdraw money from a retirement account. These questions were repeated in multiple waves, allowing us to measure variations in financial stability multiple times during the survey.

Finally, we measured health-related shocks. We asked respondents whether they knew anyone who tested positive for COVID-19, whether they knew someone who was hospitalized, and if so, in which month. We also inquired about knowing someone who had passed away. In this way, we can measure health shocks having different intensities.