Research Brief

JPMorgan Chase & Co.
Institute

Financial outcomes by race during COVID-19

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The COVID-19 pandemic has had a disproportionate impact on lower-income households and communities of color in particular, as hospitalization and death rates have been significantly higher for those groups (CDC 2021). These differential impacts are thought to be the result of differential exposure—including the overrepresentation of workers of color in essential-worker positions—as well as barriers to accessing healthcare. Through prior JPMorgan Chase Institute research, we observed large racial differences not only in income but also in liquid assets, which play a key role during times of economic uncertainty and disruption (Farrell et al. 2020).

Job losses were more concentrated among Black and Latinx workers but were offset by increased public supports from the March 2020 Coronavirus Aid, Relief, and EconomicSecurity (CARES) Act, the December 2020 Consolidated Appropriations Act, and the January 2021 American Rescue Plan. Understanding how the racial and gender gaps in financial outcomes were impacted by COVID-19 is critical as policymakers and decision makers continue to work towards an equitable recovery, and serves as an example for future times of economic uncertainty.

Policy Implications

Pandemic-based financial need was not evenly distributed by race. Public data on unemployment shows an immediate and much larger spike in unemployment among Black and Latinx workers than White workers in April 2020 and a slower subsequent recovery in employment. Our own data show that Black and Latinx families began the COVID-19 pandemic with lower levels of cash liquidity, implying greater vulnerability to job loss. Thus, the COVID recession repeated a common pattern in downturns: the most financially vulnerable racial groups— Black and Latinx workers—were among the first to lose their jobs and the last to be hired as the labor market gains strength.

Pandemic-related government supports were progressive in that they delivered cash to low-liquidity families, disproportionately boosting the cash balances of Black and Latinx families. Lower-income families, as well as Black and Latinx families, saw greater percent increases in balances and inflows. Stimulus payments provided additional cash buffer to help alleviate the immediate threats to families' financial wellbeing. Additionally, Black and Latinx families exhibit higher rates of direct deposit UI receipt. Stimulus and UI supplements resulted in income growth for Black and Latinx families during the pandemic. While cash balances increased for each race group, these changes were driven primarily by increased inflows—boosted by government income supports—for Black and Latinx families. In contrast, White families experienced smaller inflow increases coupled with larger decreases in outflows, potentially signaling that a greater share of their everyday spending was discretionary.

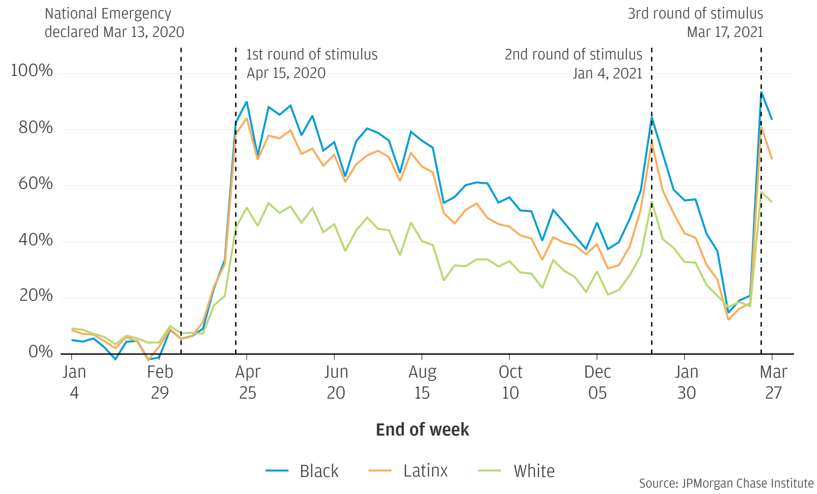
Financial supports enabled families to continue their everyday spending, particularly for Black families. Previous JPMC Institute work has shown that families with lower liquid asset buffers—disproportionately Black and Latinx families—exhibit a larger marginal propensity to consume when a tax refund arrives (Farrell et al. 2020). This is consistent with our findings here, where we observe Black families rebounding to pre-pandemic spending the fastest following the first round stimulus payments.

Black and Latinx families' balances depleted faster than White families', signaling the criticality, but also temporary nature, of those supports. After the first stimulus payment, families maintained higher-than-usual checking account balances for many months, gradually spending down balance gains over the remainder of 2020. While median cash balances were still elevated at year's end, Black and Latinx families maintained a smaller proportion of their initial balance boost than White families. The fact that Black and Latinx families depleted their cash balances faster than White families after each round of stimulus may indicate that families of color faced circumstances that made it more difficult to maintain a cash buffer. It underscores the relative precarity of their financial position should they experience more prolonged unemployment.

Finding 1: Black families had lower starting balances than Latinx or White families, and saw the smallest absolute increases but largest percentage increases in balances during the pandemic.

Finding 2: Low-income Black and Latinx families and women of color experienced the fastest depletion of their cash balance gains during COVID.

Year-over-year percent change in median weekly balances

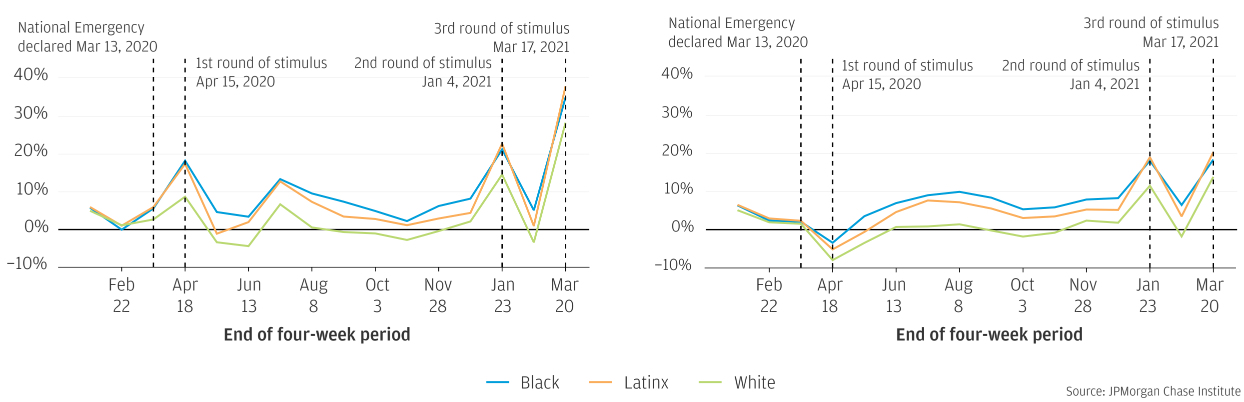


Caption: Line graph showing year-over-year percent change in weekly checking account balances by race from January 2020 to March 2021. The line graph shows an increase in late April 2020, early January 2021 and March 2021, for all race groups. At each of these increases, Black families show the largest percent increase, followed by Latinx families and White families.

Finding 3: Balance increases for Black and Latinx families are driven primarily by increased inflows; White families experienced a more muted inflow increase coupled with a larger decrease in outflows.

Year-over-year percent change in median account inflows (four-week periods)

Year-over-year percent change in median account outflows (four-week periods)



Caption: Left panel is a line graph showing year-over-year percent change in four-week median account inflows by race from January 2020 to March 2021. The line graph shows an increase in inflows around late April 2020, early January 2021 and March 2021, for all race groups. Black and Latinx families show a larger percent increase in each of these time-periods compared to White families. Right panel is a line graph showing year-over-year percent change in four-week median account outflows by race from January 2020 to March 2021. The line graph shows decreases in outflows in late April 2020 and increases in outflows in early January 2021 and March 2021, for all race groups. White families show a larger percent decrease in April 2020, followed by Latinx and Black families. In the outflow increases of January and March 2021, Black and Latinx families show a larger increase than White families.

Finding 4: Black and Latinx families experienced larger percent increases in total income relative to White families, due in part to stimulus and unemployment insurance.

Finding 5: Latinx families dropped their everyday spending the most at the onset of the pandemic, and also consistently transferred money out of their accounts more frequently than Black or White families. Black families recovered their spending the fastest.

Pandemic-related government supports delivered cash to low-liquidity families, enabling families to continue their everyday spending, but financial need was not evenly distributed by race.

For more information, visit https://www.jpmorganchase.com/institute/research/household-income-spending/financial-outcomes-by-race-during-COVID-19