How Equity Helps Lift all Boats

The importance of promoting an inclusive recovery from COVID-19

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Research demonstrates that a rising tide does not always lift all boats. In a study of 41 cities that recovered from economic distress, 23 made gains on inclusion through recovery, but 18 lost ground.

Persistent disparities cause significant aggregate economic losses in the trillions of dollars and several tenths of a percentage point in GDP growth.

An inclusive recovery occurs when a place overcomes economic distress in a way that enables its residents—especially historically excluded populations—to share in benefiting from and contributing to economic growth.

Recovery plans that address long-standing patterns of inequity will not only benefit the historically disinvested but also regenerate economies at a scale that will be felt by all.

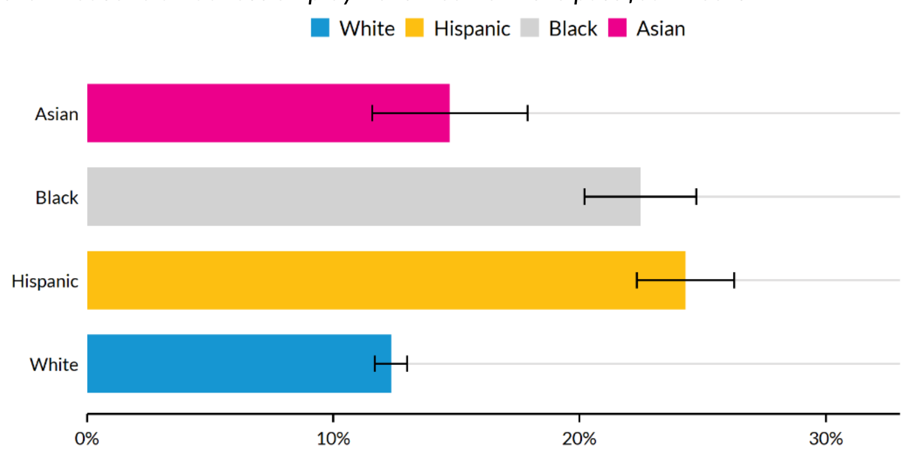
The COVID-19 pandemic decimated economies throughout the world. In the US, GDP suffered its worst contraction on record with a 32 percent year-over-year reduction in the second quarter of 2020. The US has lost 5 million jobs since the start of the shutdown compared with 2.6 million lost during the Great Recession.

Now, as precautionary measures ease and face-to-face services increase, the economy is beginning to recover. But that recovery is not being felt equally by all. The shares of adults in households who are Hispanic and Black that had an adult who, between September 29 and October 11, 2021, had lost employment income in the past four weeks were 24.3 and 22.5 percent, respectively, compared with 14.7 and 12.3 percent for adults who are Asian and white (figure 1). And we know that prior pandemics have caused income inequality to worsen.

FIGURE 1

People of Color Experiencing Disproportionate Loss of Income

Adults who reported, between September 29 and October 11, 2021, that someone in their household had lost employment income in the past four weeks



Source: Author calculations from the federal Household Pulse Survey.

WHY A RISING TIDE DOES NOT LIFT ALL BOATS

Many economies have relied on “a rising tide to lift all boats,” believing that if we can grow the economy overall, everyone will benefit. However, we know from prior recoveries that this is not true. In a study of 41 cities that recovered from economic distress between 1980 and 2013, we found that 23 made gains on inclusion through recovery, but 18 lost ground.

We found that the key to lifting all boats is **an intentional focus on equity**. This means addressing the structural and institutional barriers that prevent everyone from having equal opportunity. Increasing equity does not mean providing equal investments to all: it often means investing more in communities that have been historically underinvested in, particularly communities of color. Without intentional efforts to invest in equity, a rising tide is likely to only perpetuate inequity because it will maintain gaps between groups rather than shrink them.

WHAT HAPPENS IF WE DON'T RECOVER INCLUSIVELY?

A recovery that fails to close disparities would have negative impacts not only on the most vulnerable people in our communities but also on the economy overall. Persistent disparities **cause significant aggregate economic losses**—losses measured in trillions of dollars and several tenths of a percentage point in GDP growth. For example, persistent racial and economic segregation has **cost one city $8 billion in GDP,** an amount two-and-a-half times greater than the region's average annual GDP growth. And research shows that when job seekers can't afford to live where jobs are located or efficiently access jobs by public transit, cities experience higher **unemployment rates**, **longer spells of joblessness,** and higher turnover and lower profits for businesses struggling to find low-wage workers**.**

THE OPPORTUNITY

Through recent legislation, the federal government is investing unprecedented levels of funds in states and localities (table 1), and jurisdictions have a once-in-a-generation opportunity to leverage these funds to implement recovery plans that directly address inequities. To ensure that the recovery reduces inequities rather than reinforcing them, states and localities need to intentionally center equity in their recovery efforts, targeting resources not only to those most affected by the pandemic but also those who faced inequities before the pandemic. Recovery plans that address long-standing patterns of inequity will not only benefit the historically disinvested but also regenerate economies at a scale that will be felt by all.

TABLE 1

Flexible Funding from Three Major Relief Packages That Could Be Used for Equity

	CARES Act	CRRSAA	ARPA
Total funding	$2.2 trillion	$900 billion	$1.9 trillion
Flexible state and local aid	$150 billion	None	$350 billion
Additional state and local funding	$62 billion	$105 billion	$241 billion
Sources of additional funding	CDBG and other housing assistance; economic development; transportation; child care	Emergency rental Assistance; transportation	CDBG and other housing assistance; economic development; transportation and other infrastructure
Funds available through	2021	Multiyear periods	2024–25 or until expended

Source: Urban Institute analysis of H.R. 748, "Coronavirus Aid, Relief, and Economic Security Act," 116th Cong. (2020); H.R. 133, "Consolidated Appropriations Act, 2021," 116th Cong. (2020); H.R. 1319, "American Rescue Plan Act of 2021," 117th Cong. (2021).

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