

COVID-19 Intersection of Public Health and Economics

COVID-19 has halted the economy unlike any previous recession. Economists have forecasted a wide range of estimates on unemployment and the overall economic impact of the virus. They have ultimately agreed the economic future is driven by the virus and effectiveness of public health measures to catch up and control it.

Historical Comparison

Differing from previous recessions, like the Great Recession [2007-2009], we know upfront what the cause of the crisis is: COVID-19. The COVID-19 virus is a biological agent. Once the biological event is mitigated and, then, effectively treated and further prevented, the cause is gone.

In contrast, the Great Recession was caused by a combination of banks taking on excessive risk due to poor risk management and structural problems of the US banking system which do not exist today. Large businesses collapsed leaving it impossible for workers to go back to their firm because the majority of firms no longer existed. As workers looked for new employment opportunities, their skills either lagged behind or exceeded those that employers sought, thus increasing the duration of unemployment and a slow rebound in productivity and wages.

Unlike past recessions, we have the ability to intervene to protect the health and wealth of our nation before it is too late.

Role of Public Health

To reduce the burden of COVID-19 on the economy, spread of the virus must be mitigated. Public health non-pharmaceutical interventions, such as Governor Ever's, "Safer at Home" order, have worked to reduce the spread of COVID-19. It is estimated that physical distancing has reduced the spread of COVID-19 by 40-50% nationwide.

Protection of Firms

Public health measures are needed to hold firms stable until there is a dramatic decrease in the number of cases. Businesses and manufacturers can be prone to outbreaks due to the increased number and proximity of workers required to sustain operations. If cases and outbreaks increase in businesses, there will be an even greater economic burden. At the Smithfield pork processing plant in Sioux Falls, South Dakota, roughly 240 employees contracted COVID-19, forcing the plant to close indefinitely. Non-pharmaceutical measures must be continued to protect the health of the workforce and keep our businesses open. Once a vaccine is created, businesses may start hiring again in huge numbers with increased confidence.

Policies must be put in place that discourage relocation of employment, despite safer-at-home orders. For public safety, residents must stay home and continue practicing social distancing to avoid transmission of the virus from community to community. Relocation of employment is also taxing on businesses with the need to train new employees.

Protection of Human Capital

Human capital refers to the knowledge, skills, and health of individuals. There is a strong relationship between economic growth and human capital. Research has shown that investing in human capital increases the profitability of a firm, thus increasing economic growth. There is a need to support policies that connect employees to their workers to save our stock of human capital, specifically, firm-specific human capital. Firm-specific capital is vital due to their extensive organizational knowledge, customer base, and supply chains. The overall goal is to prevent a massive destruction of specific human capital, which took many years to build, and would take many more to rebuild. Protecting the health of our workforce is needed to expand the profitability of our economy.

Role of Economy

Economist, Campbell Harvey of Duke University predicts, “This recession will be short, painful and very different from any that have come before. To alleviate the economic damage of COVID-19 businesses, especially small businesses need fiscal support.”

Economic Policies

Small firms are vital to our economy and make up half of employment. Small businesses have been hit hard by the recession and are in dire need of assistance to prevent closures. To prevent closures, the CARES Act has provided small businesses \$350 billion in bridge financing that the Treasury and the Small Business Administration will manage. The Wisconsin Economic Development Corporation has also provided additional grant money to assist small Wisconsin-owned businesses. Funding must be deployed quickly, within weeks rather than months, to small businesses. Additional support is needed for households and businesses that have been impacted financially. Financial assistance should be prioritized for businesses that pledge to retain and rehire employees and resume operations promptly once circumstances allow.

Over the last few weeks, unemployment has increased rapidly in Wisconsin due to furloughs and layoffs. Workers fear permanent job loss knowing it will fundamentally alter their life. Policies must be created and implemented that provide reassurance and incentives to either stay home, as directed, or to work temporarily elsewhere. The CARES Act has provided three additional unemployment benefits related to the pandemic which provide a safety net, but this is not nearly enough. Federal Pandemic Unemployment Compensation will disperse additional \$600 payments starting on April 26, 2020 for Wisconsin residents, just two days after the expiration of Governor Evers’ original “Safer at Home” order. Delays in payments from the government leave furloughed workers facing constrained incomes into further economic stress. This funding will barely cover the essential needs (e.g. rent, utilities, insurance, food) of families residing within Ozaukee and Washington Counties.

As of now, workers have not been permanently displaced as many our companies are surviving and/or will reopen once allowed. But, this could drastically change if measures are not taken soon to ensure the economic security of our workforce.

Moving Forward

COVID-19 has placed many Wisconsin residents in a socioeconomic crisis. Residents near retirement are typically those most vulnerable to COVID-19. These workers will now have to choose between returning to the workforce to make up money lost in their retirement plans and 401(k)s and putting their health at risk. Residents who have gone into debt to cover expenses during this crisis will be forced to pay that debt back, which further slows economic growth. Without public health measures in place to keep our

workforce safe, consumers will continue to lack confidence in spending due to fear of contracting the disease, further putting households and small business within our community at risk.

The next few months are crucial for the public health and economic sectors to work together to stabilize the health and wealth of the nation. It takes approximately 18 months to develop and produce a vaccine safely. Investments are needed to facilitate mass testing, vaccine production, and therapies to help increase public health measures. Without extended public health measures and investments in treatments and vaccines, there will be a resurgence of COVID-19 cases and unpredicted and costly surges in the healthcare system.

Over the next few months, we will need to work collectively to revitalize our workforce and keep our workers safe. Assistance will be needed for those most at risk of contracting COVID-19 and may have a need to be quarantined or isolated for the foreseeable future. It is in the best interest of our policymakers to ensure the survival of our businesses. If this does not happen, unemployment insurance will be required for an extended period of time.

Additional Considerations

- Provide protections for vulnerable workers to continue to work from home and provide additional assistance to those workers until they are able to safely return to work.
- Enhance family sick leave policies to include those who must stay home to take care of either a child or other dependent who may be sick/quarantined, and those who are themselves sick and/or quarantined due to exposure.
- Enhance family leave policies to include those who need to take care of children due to daycare or school closures.

Conclusion

The implications in this economic report helped inform the [Blueprint for Reopening Washington and Ozaukee Counties](#). While we continue to navigate these unprecedented times it is our intention to provide the most accurate and reliable information regarding the health and economic impact of COVID-19. We recognize the economic uncertainty in our communities and will take measures to ensure the health, safety, and economic security of our residents to the best of our ability.

Additional Resources

- Chicago Booth – IGM Forum. [Three Pillars of the Economic Policy Response to the Covid-19 Crisis](#). 2020.
- Chicago Booth Review. [How does economic policy interact with public health measures for COVID-19?](#) 2020.
- VOX CEPR Policy Portal. [The labour market policy response to COVID-19 must save aggregate matching capital](#). 2020.
- VOX CEPR Policy Portal. [Transition steps to stop COVID-19 without killing the world economy](#). 2020.
- Yale News. [Managing Roiling Labour Markets Amid COVID-19](#). 2020.