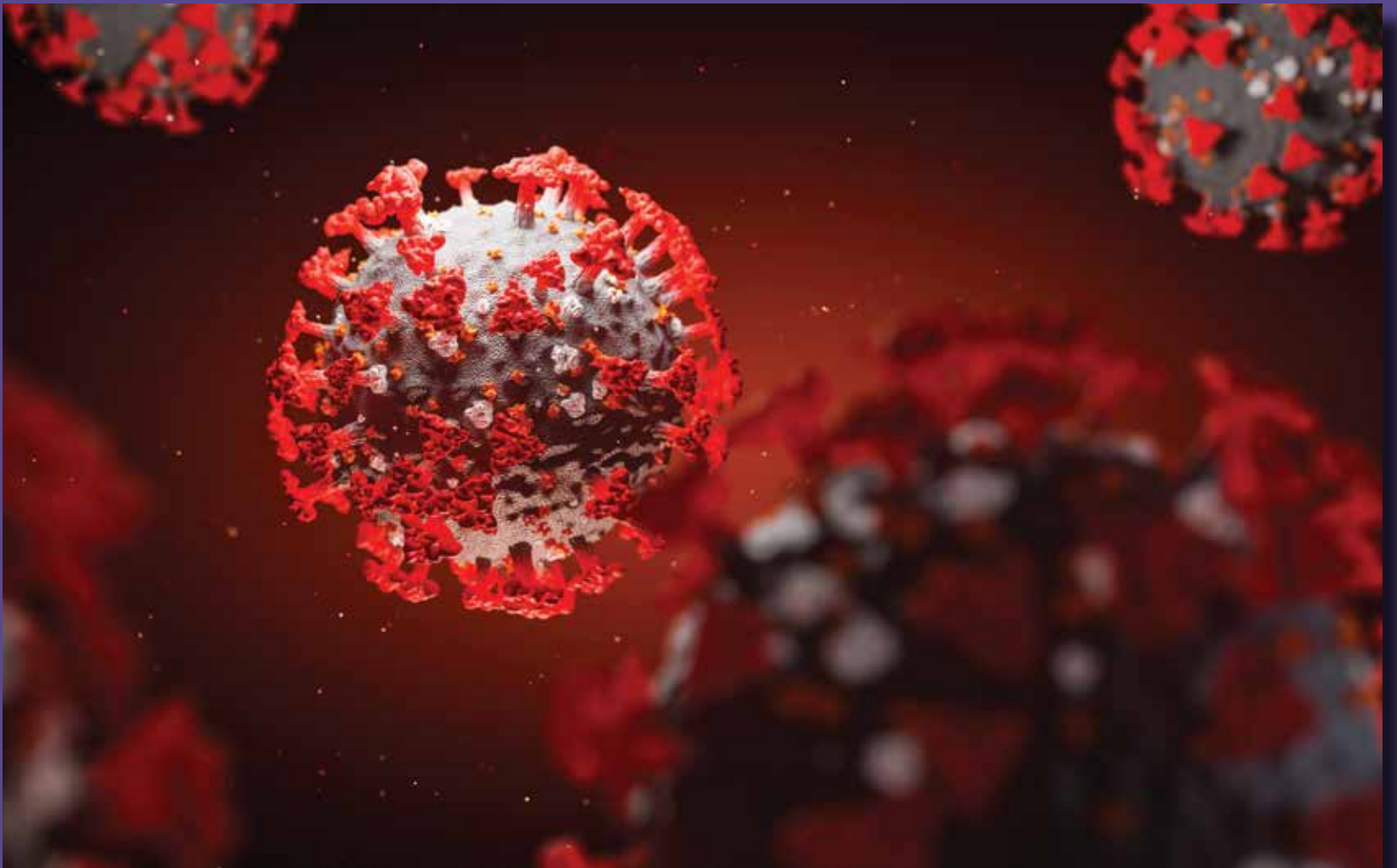


# A Shock To The System: COVID-19 And Hampton Roads



# A SHOCK TO THE SYSTEM: COVID-19 AND HAMPTON ROADS

*These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands by it now, deserves the love and thanks of man and woman. Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the conflict, the more glorious the triumph.*

– Thomas Paine, Dec. 23, 1776

In February 2020, one of most significant questions facing businesses in Hampton Roads was how to attract and retain employees in an increasingly tight labor market. With a record number of residents in the labor force and gainfully employed, Hampton Roads' unemployment rate approached 3%. The region was projected to grow for the fourth consecutive year, in part due to expected increases in the Department of Defense (DOD) budget. While there was worrisome news from China about a new respiratory virus, the United States had successfully responded to the influenza A H1N1pdm virus ("swine flu") in 2009 and the Ebola virus in 2014 with minimal disruption to society and the economy. The question in February was not whether Hampton Roads would grow, but whether its growth would exceed that of the Commonwealth and the nation.

Now, with the summer of 2020 behind us, looking back at the first two months of 2020 is an exercise in nostalgia. Pandemic, masking, self-isolation, social distancing, contact tracing and community spread now appear frequently in the lexicon. Although Hampton Roads and Virginia fared relatively well in the early months of the COVID-19 pandemic, the economic toll has been unprecedented. While some argue that we can eventually return to normal, we must face the fact that "normal" will likely involve masks, temperature checks and discussions of therapeutics and vaccines for months (if not years) to come. A complete recovery will likely take years and we should avoid wishful thinking about the coronavirus and the region's economic recovery.

**COVID-19 has unwound many of the gains of the previous decade and thrown the fractures in the economy in sharp relief. Black or African American residents were more likely to be infected from the virus or lose their jobs than their white or Asian counterparts.<sup>1</sup>**

<sup>1</sup> We follow the U.S. Census Bureau's standards with regard to race or ethnicity. Individuals self-identify their race or ethnicity. For more information, see <https://www.census.gov/topics/population/race/about.html>.

**Income and wealth inequities have left Black and Hispanic households with fewer resources to draw upon in the face of the ongoing recession. National data show that, when coupled with the ongoing protests in response to the death of George Floyd in Minneapolis, Black and Hispanic households have paid a more significant psychological toll than white or Asian households. We are witnessing an economic, social and public health shock the likes of which has not been seen in this country since the Great Depression.**

In this chapter, we examine how Hampton Roads fared in the initial months of the COVID-19 pandemic. We highlight the shock to labor markets and discuss how businesses responded in the face of social distancing and stay-at-home orders. We explore the impacts of the coronavirus, the recession and protests on the well-being of the region's residents. Lastly, we consider what a recovery might look like and how long it could take.

# COVID-19: The Pandemic Continues

While not as severely impacted as some localities in Florida, Georgia, North Carolina and other states in the initial months of the pandemic, Hampton Roads nevertheless experienced its share of infections and, unfortunately, deaths, from the COVID-19 virus. While some complained that Virginia emerged from its stay-at-home orders too quickly, the initial evidence in the summer of 2020 strongly supported the argument that states and localities should first do what they could to control the virus and then gradually reopen the economy. The question remains as to how vigilant the public will be in preventing the spread of the virus by wearing masks, social distancing and, if sick, staying home to reduce community spread. Regions that have successfully lowered infection rates remain at risk of spikes from complacency.

Graph 1 displays the seven-day moving average of new cases per day in Hampton Roads and Virginia from April to August 2020. While the average number of new cases held relatively steady from April through mid-June, we observed an increasing number of cases as the region moved into Phase 3 of reopening. Discussions with local health officials suggest that many younger residents treated the move into Phase 3 as a point at which social distancing, universal masking and other measures were no longer needed. As the number of coronavirus cases increased in the region, public debate shifted toward mask enforcement and whether schools should reopen for in-person instruction.

Graph 2 illustrates a more troubling trend that coincided with Phase 3 of the region's reopening. The COVID-19 polymerase chain reaction (PCR) test determines whether an individual is infected with the virus, while antibody tests determine whether an individual was infected with the virus.<sup>2</sup> If the ratio of positive PCR tests to all PCR tests is increasing, this is a signal that community transmission of the virus is growing and that more stringent measures need to be taken to control the spread of the virus.

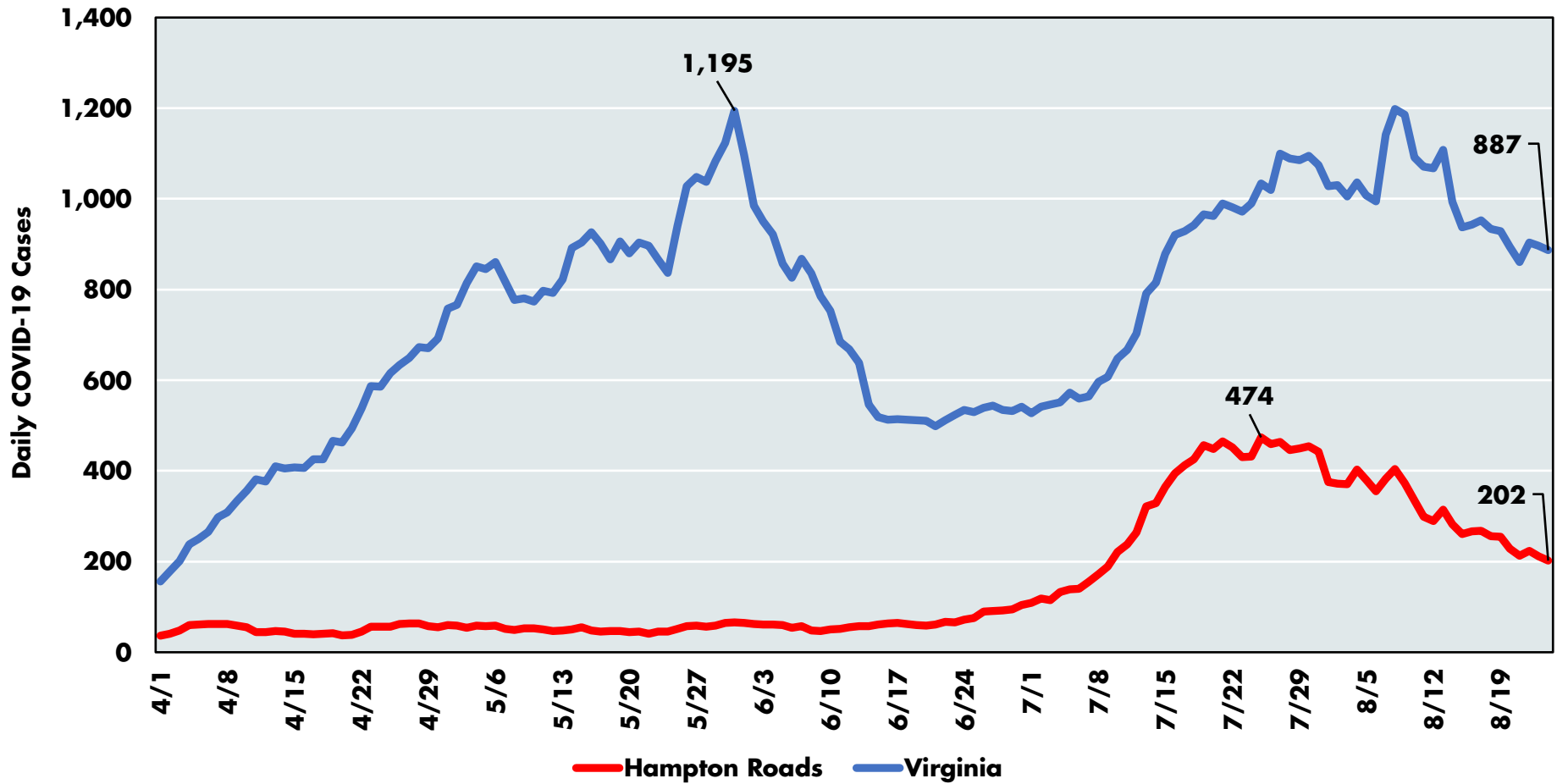
<sup>2</sup> The COVID-19 polymerase chain reaction (PCR) test is used to detect viral RNA. This is the best test available to indicate if an individual is currently infected with the SARS-CoV-2 virus. These tests are conducted using a nasal or nasopharyngeal swab to collect a specimen. Test results may remain positive for days to more than a week.

PCR test positivity plateaued in late July and then trended downward in August. The governor's order restricting some activities in the region, coupled with increased awareness, appeared to work (for now). The question is how Hampton Roads and other regions will fare in the fall, as college students return to campus and influenza season starts anew.



GRAPH 1

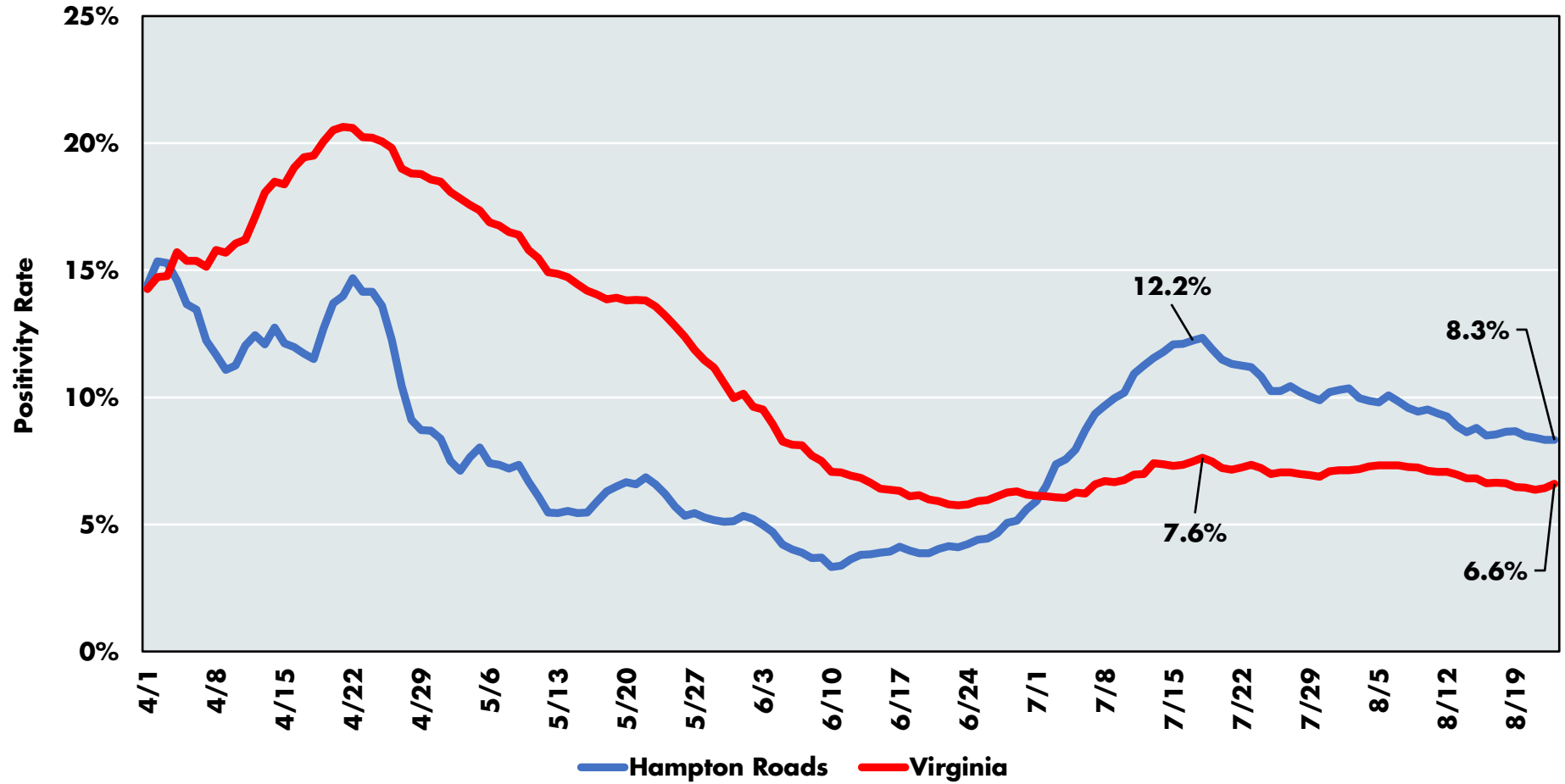
SEVEN-DAY MOVING AVERAGE OF DAILY COVID-19 CASES:  
HAMPTON ROADS AND VIRGINIA, APRIL 1, 2020-AUG. 24, 2020



Sources: Virginia Department of Health and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are current as of Aug. 24, 2020 (date reflects reporting date).

GRAPH 2

SEVEN-DAY MOVING AVERAGE OF PCR TEST POSITIVITY:  
HAMPTON ROADS AND VIRGINIA, APRIL 1, 2020-AUG. 24, 2020



Sources: Virginia Department of Health and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are current as of Aug. 24, 2020 (date reflects reporting date).

# From Expansion To Collapse To Recovery: Labor Markets

The labor market in Hampton Roads is seasonal; that is, the number of people in the labor force looking for work or actively employed peaks in the summer and reaches its lowest point in the winter. As illustrated in Graph 3, the civilian labor force and individual employment peaked at 874,900 and 846,600, respectively, in July 2019. As Hampton Roads moved from summer into fall, the labor force and employment contracted as usual for that time of year, but then both expanded through March 2020. Hampton Roads appeared poised for another record year.

**The onset of the COVID-19 pandemic, followed by social distancing measures and the closure of businesses, led to sharp contraction in economic activity in late March 2020. In April 2020, the civilian labor force contracted by 3% and individual employment fell by 11.6%. While employment recovered in May and June, approximately 59,000 fewer residents of the region were employed in June 2020 when compared to March 2020. It should be no surprise that the unemployment rate for Hampton Roads, which hovered around 3% for most of 2019, sharply increased in April 2020. With the recovery of employment in May and June, the unemployment rate fell to 9.6% in June, still well above the pre-COVID average (Graph 4).**

The speed and scope of layoffs in Hampton Roads was unprecedented. Graph 5 presents initial unemployment insurance claims from March 2007 to June 2020. In the aftermath of the Great Recession, more than 10,000 workers in Hampton Roads filed an unemployment claim in August 2010. Yet, this pales in comparison to the coronavirus economic shock. **In April 2020, nearly 77,000 workers in Hampton Roads filed an initial unemployment claim, more than seven times the number at the peak of the Great Recession.**

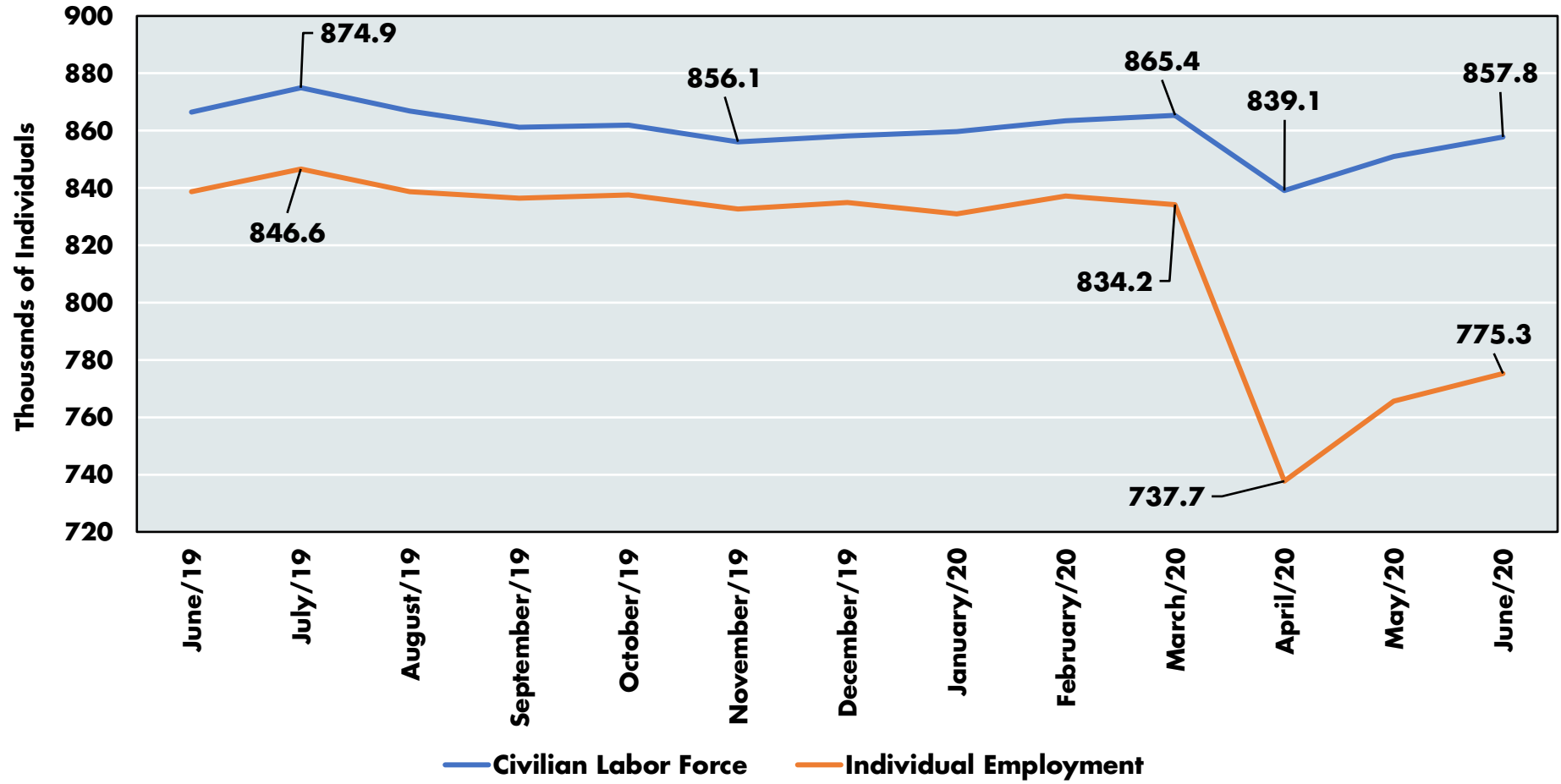
**While initial claims declined in May 2020, the level of claims was three times higher than the previous record. The shock to the system was not just significant, it was unprecedented.**

The economic challenge is not only the number of workers filing an initial claim, but also the number who remain on unemployment. If reopening led to many workers returning to work, we would see a rapid decline in continuing unemployment benefits. On the other hand, if economic activity had not returned to prepandemic levels, many workers would continue to collect unemployment benefits.

Initial claims represent the number of individuals who have filed a request for unemployment benefits after separation from an employer. Continuing claims, or what is known as insured unemployment, reflect those who have already filed their initial claim, had the claim accepted by the government and continue to file claims to receive benefits for the current week of unemployment. In other words, continuing claims show the number of insured unemployed individuals, while initial claims reflect the number of initial requests for unemployment benefits in a given week.

GRAPH 3

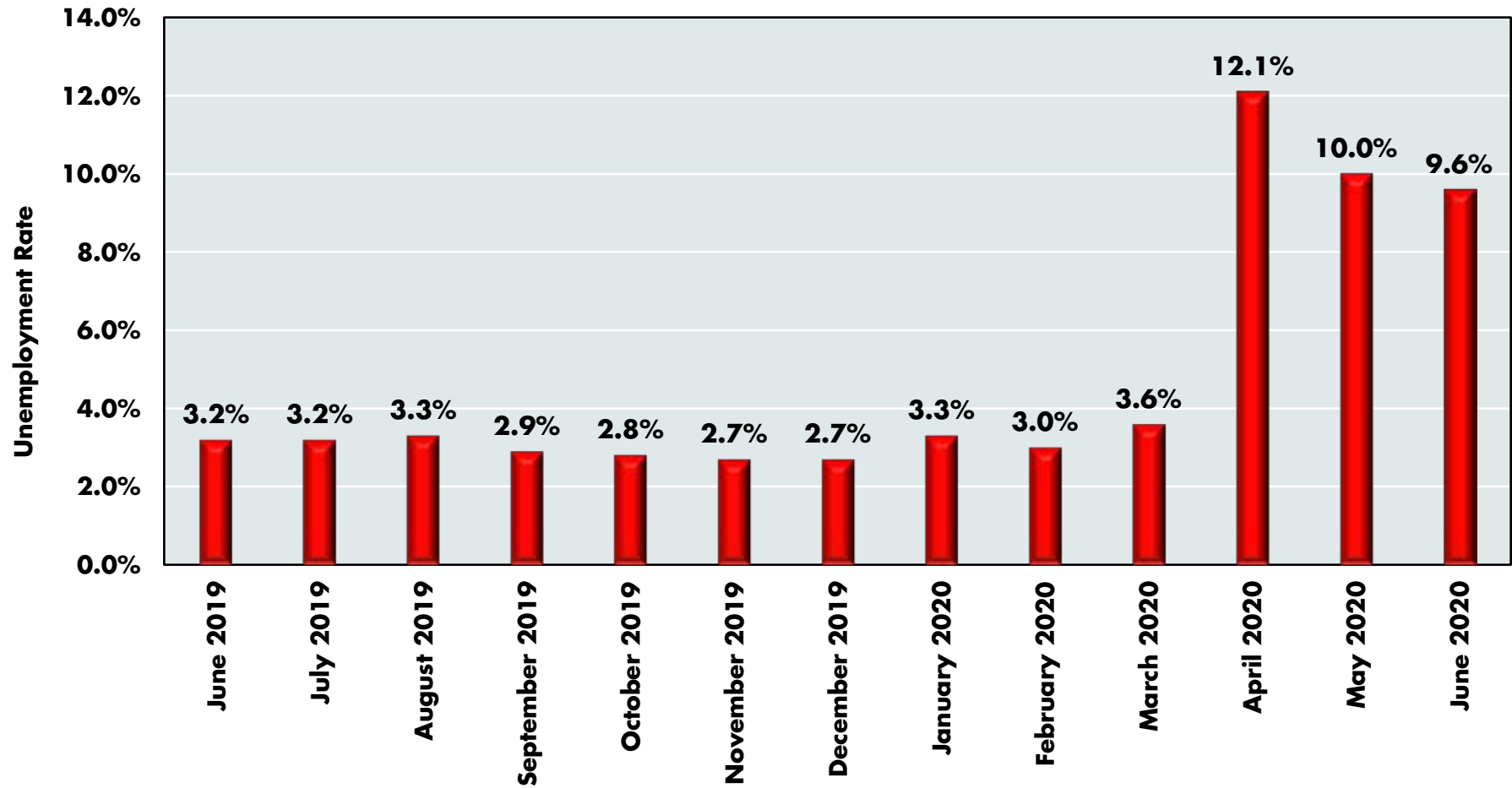
CIVILIAN LABOR FORCE AND INDIVIDUAL EMPLOYMENT:  
HAMPTON ROADS, JUNE 2019-JUNE 2020



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

**GRAPH 4**

**HEADLINE UNEMPLOYMENT RATE (U3):  
HAMPTON ROADS, JUNE 2019-JUNE 2020**

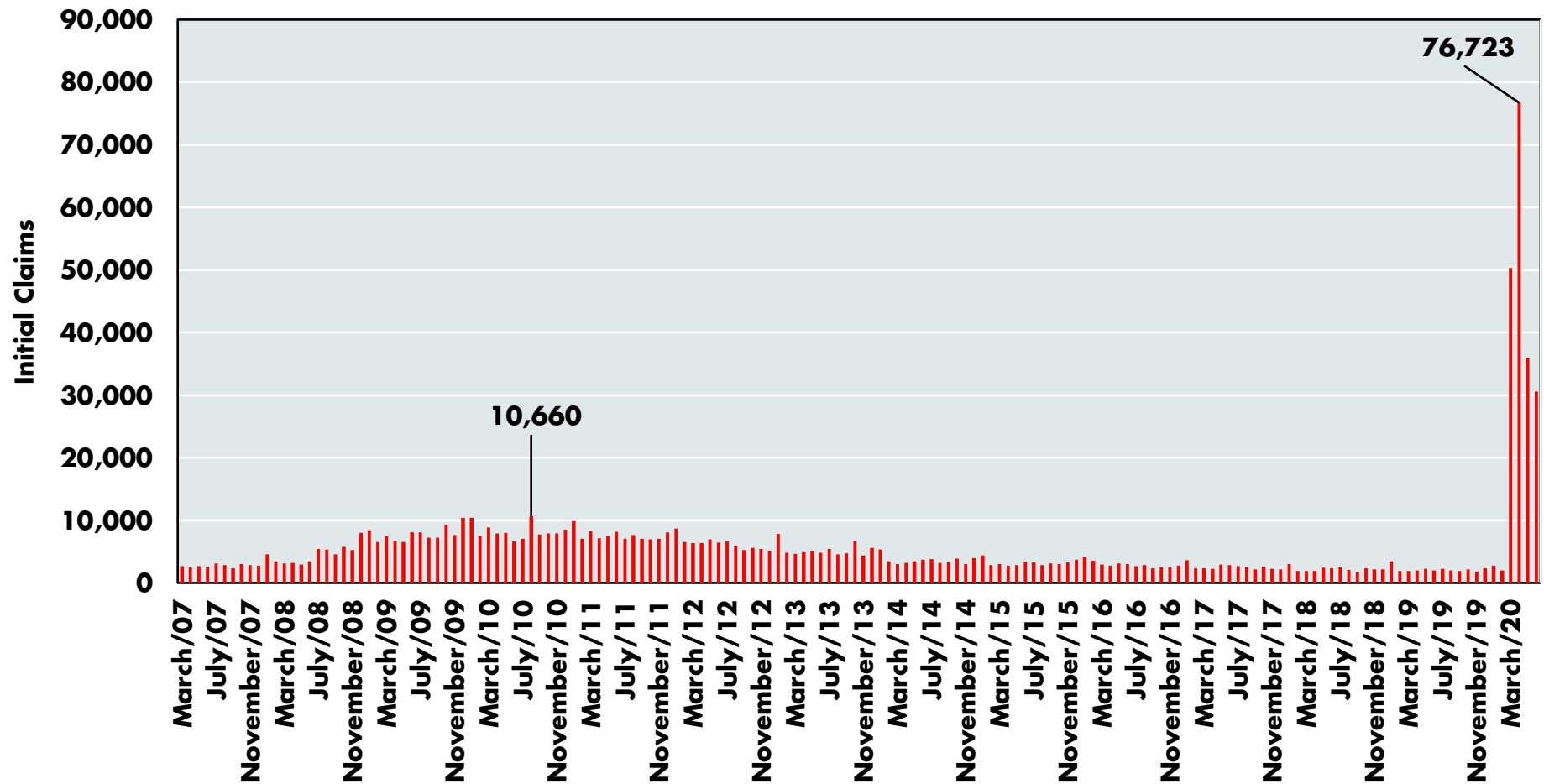


Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.



GRAPH 5

MONTHLY INITIAL UNEMPLOYMENT CLAIMS:  
HAMPTON ROADS, MARCH 2007-JUNE 2020



Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

**Continuing unemployment claims rose rapidly from 4,315 the week of March 14, 2020, to 88,436 the week of May 16, 2020 (Graph 6). The rapid increases in initial and continuing claims overwhelmed the unemployment insurance system in Virginia, exacerbating the economic crisis. Roughly 1 in 10 workers in Hampton Roads received some form of unemployment benefit at the peak of the crisis. As Hampton Roads moved into Phase 3, the number of workers continuing to receive unemployment benefits had declined significantly. Continuing unemployment claims peaked in mid-May at 88,436 and had declined to 61,289 by mid-August. Even with this progress, continuing claims were almost 14 times higher than pre-COVID levels.**

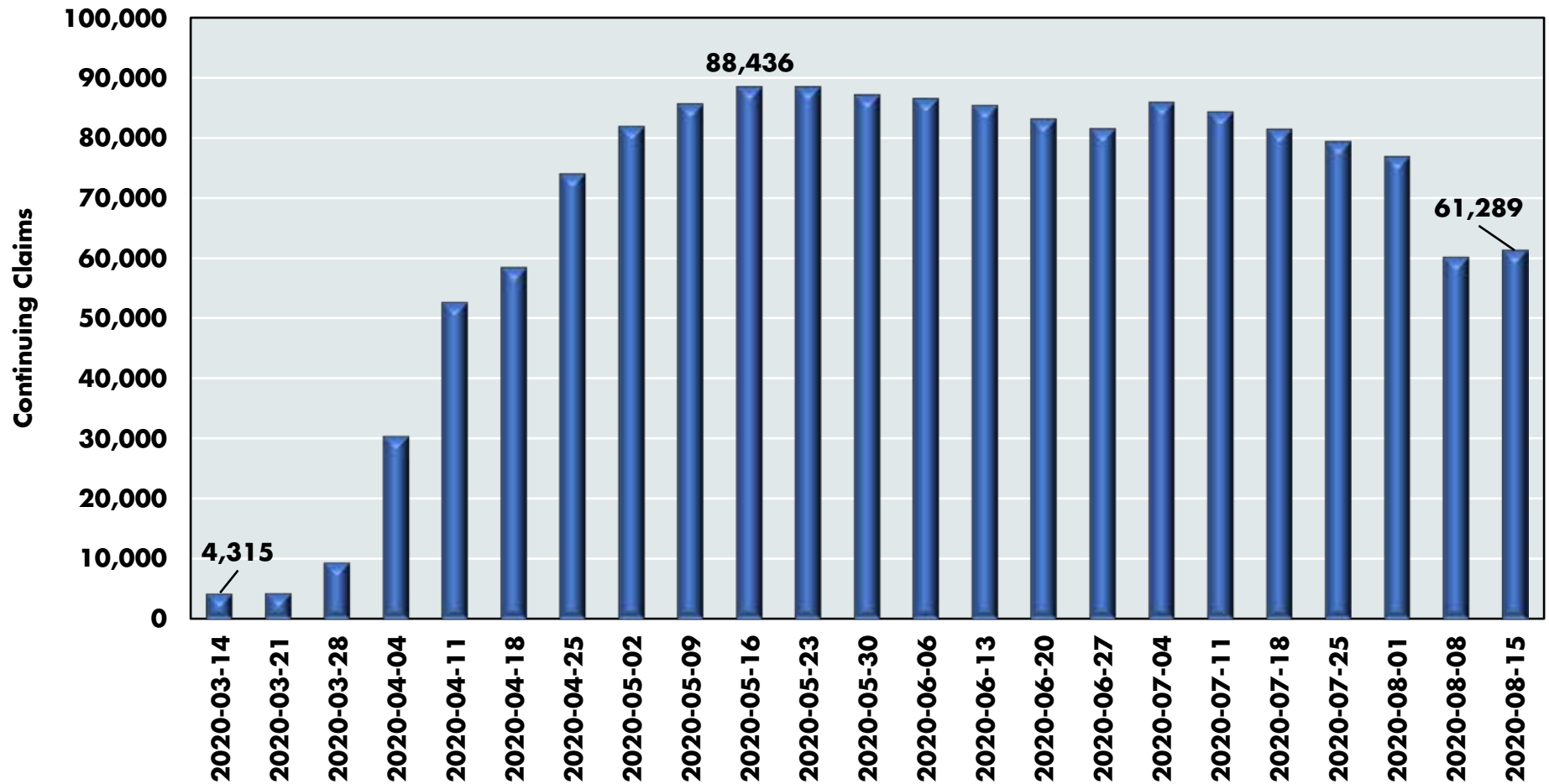
Hampton Roads fared worse than the nation and the Commonwealth during the initial months of the coronavirus recession. Graph 7 compares Hampton Roads, Virginia and the United States from March 14, 2020, to Aug. 15, 2020. The increase in claims was historic. Nationally, initial claims increased by 2,471% from mid-March to the beginning of April. In Virginia, initial claims spiked at 5,446%, while in Hampton Roads, initial claims increased by 6,457%.

**While the region's dependence on DOD spending acted as a buffer during previous economic downturns, the other two pillars of the economy, tourism/hospitality and the Port of Virginia, were especially hard hit by the COVID-19 recession. If there is a modicum of good news, it is that Hampton Roads saw initial claims decline significantly in June and July. While initial claims are still higher than pre-COVID levels, the region's performance is on par with that of the Commonwealth. Hampton Roads' efforts to develop a unified recovery strategy recognized these challenges and we applaud the collaborative steps that have been taken to recover as a region, rather than as individual localities. The question now is whether these efforts can be sustained in the face of a prolonged period of recovery.**



GRAPH 6

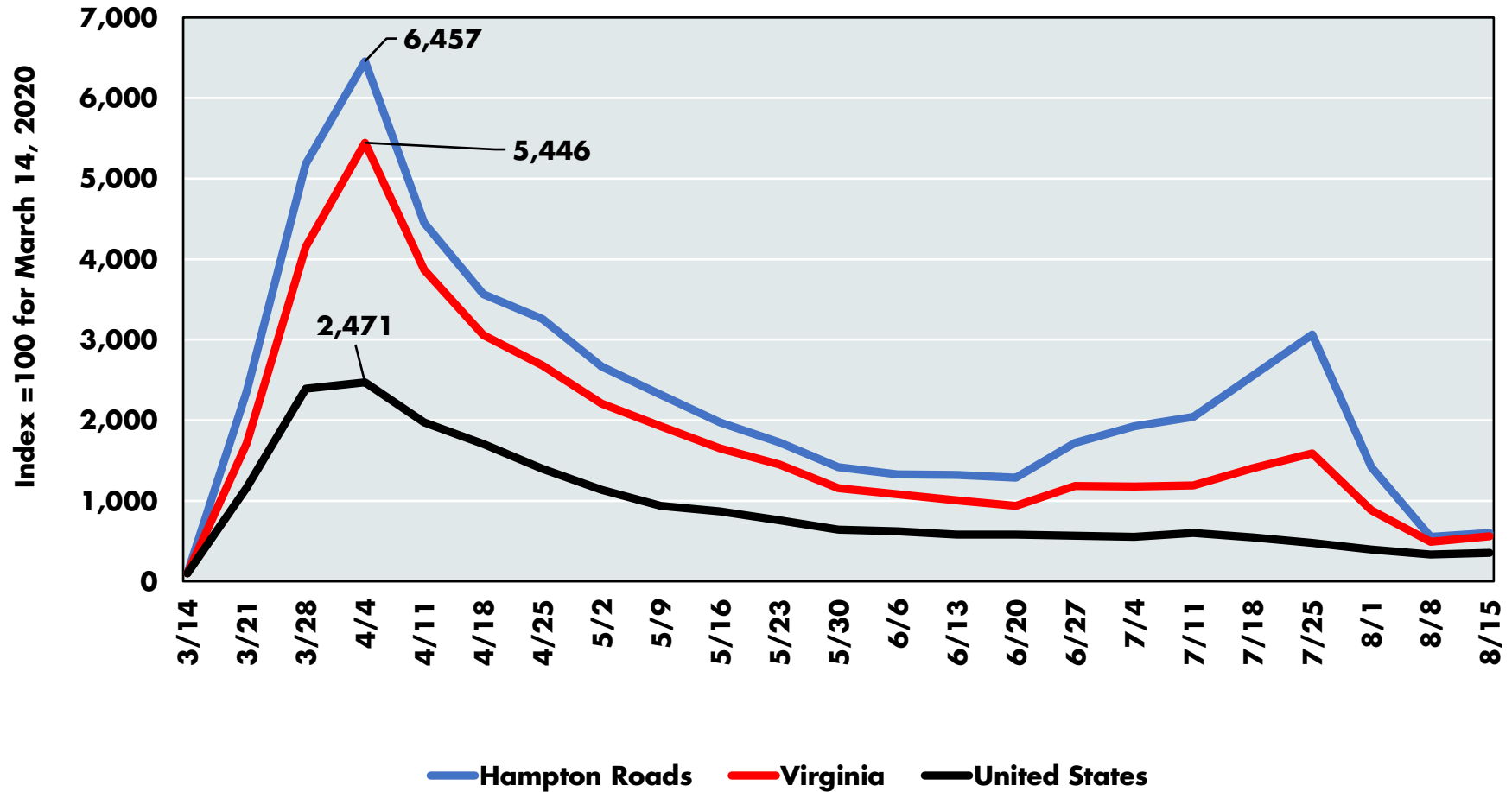
CONTINUING UNEMPLOYMENT CLAIMS:  
HAMPTON ROADS, WEEK ENDING MARCH 14, 2020-AUG. 15, 2020



Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

GRAPH 7

INITIAL UNEMPLOYMENT CLAIMS:  
HAMPTON ROADS, VIRGINIA AND THE UNITED STATES: WEEK ENDING MARCH 14, 2020-AUG. 15, 2020



Sources: U.S. Department of Labor, Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

# A Decade Of Jobs Lost

Over the last decade, we have described the performance of the Hampton Roads economy as “anemic,” “sluggish” and “uninspiring.” In the 2018 and 2019 editions of the State of the Region Report, we argued that the region had turned the proverbial economic corner. While economic growth was not spectacular, Hampton Roads had put together consecutive years of growth and the number of jobs in the region continued to rise. We projected, at the beginning of 2020, that the region would grow faster than the nation and that the prospects for sustained growth into 2021 appeared promising. Now, the region’s economic prospects are clouded, dependent upon not only COVID-19 cases locally, but also cases throughout Virginia and the nation.

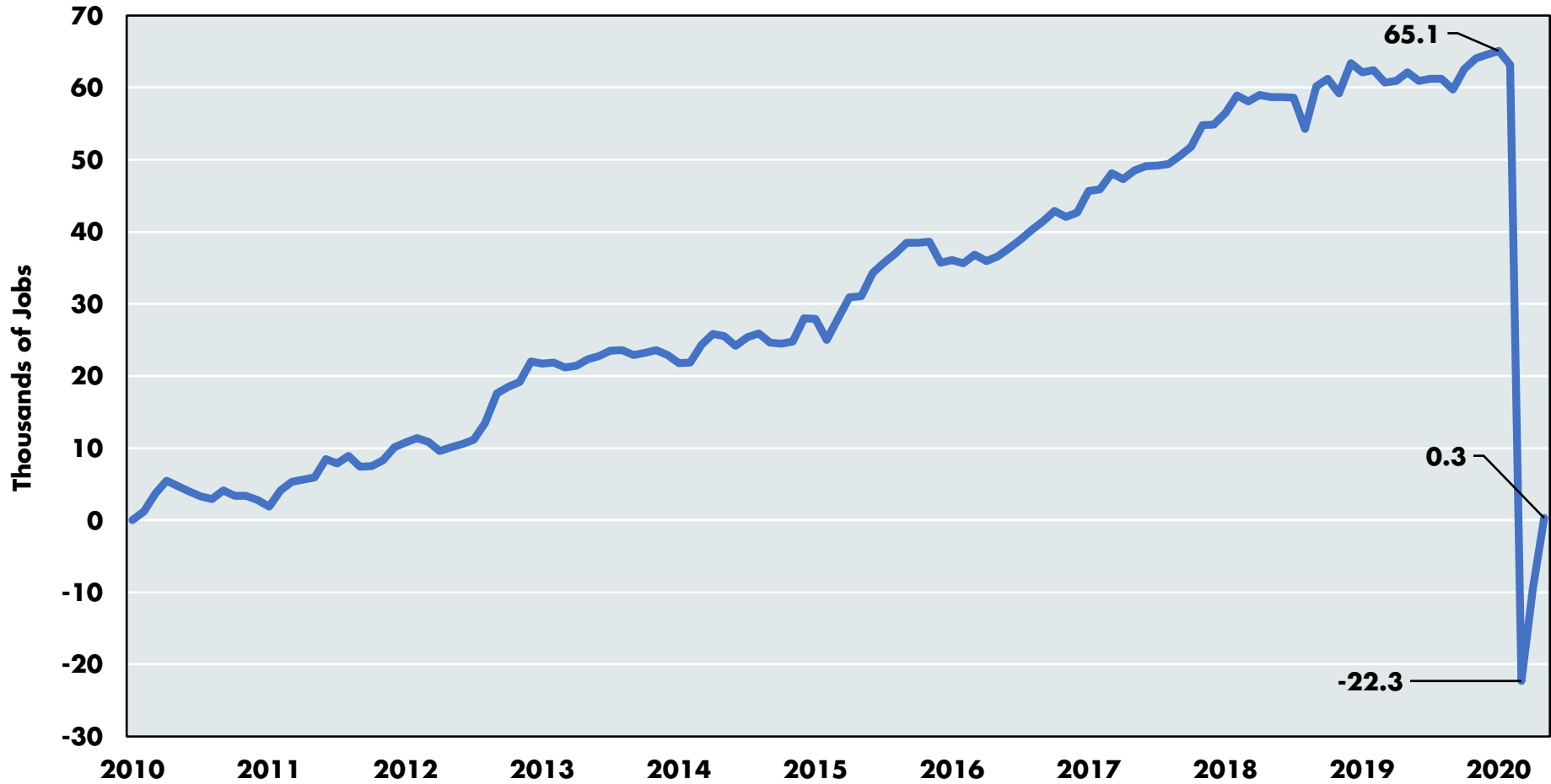
Graph 8 illustrates that, from the trough of the job market in February 2010, employers in Hampton Roads had added 65,100 jobs by February 2020. One month later, a decade of job gains had been wiped out, with Hampton Roads recording 22,300 fewer jobs than during the trough following the Great Recession. In June 2020, the number of regional jobs was roughly equal to the lowest point after the Great Recession.

**While the number of jobs has improved from the lows of April, there is a long way to go before we can declare a complete recovery from the ongoing recession. COVID-19 gets a vote. In the absence of an effective therapeutic or vaccine, continuing outbreaks of the virus could slow the nascent recovery. With domestic and international tourism travel curtailed significantly, DOD travel largely halted and other states continuing to battle outbreaks of the virus, it may take longer for positive trends to emerge in the labor market data. It is much more likely that the path forward will see periods of retreat and retrenchment. To expect a smooth and swift recovery is to ignore the evidence.**



GRAPH 8

CUMULATIVE GROWTH IN NONFARM PAYROLLS (JOBS):  
HAMPTON ROADS, FEBRUARY 2010-JUNE 2020



Sources: Virginia Employment Commission, various dates, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Seasonally adjusted data.

# The Hotel Sector: Travel Stops, Revenue Falls And Signs Of A Recovery

The accommodation and food services sector in Hampton Roads bore the initial brunt of the coronavirus economic shock. Domestic and international travel, for all intents and purposes, ground to a halt in March and April. Stay-at-home orders and social distancing measures resulted in the significantly reduced operation or closure of bars and restaurants. While the sector fared better in early summer of 2020, its performance was markedly poorer than in 2019.

Graph 9 illustrates the impact of the pandemic and recession on hotel occupancy in Hampton Roads. In February 2020, occupancy was higher than for the same month in 2019, signaling a potential record year for hotels in the region. With the onset of the pandemic, however, hotel occupancy declined precipitously – to 31% in April 2020. Some localities in Hampton Roads saw occupancy rates below 10% in April. With Virginia moving through Phase 2 and into Phase 3 of reopening, occupancy climbed to 54.9% in June 2020. While this is good news, it must be tempered by the fact that average occupancy was still 22.8 percentage points lower compared to June 2019.

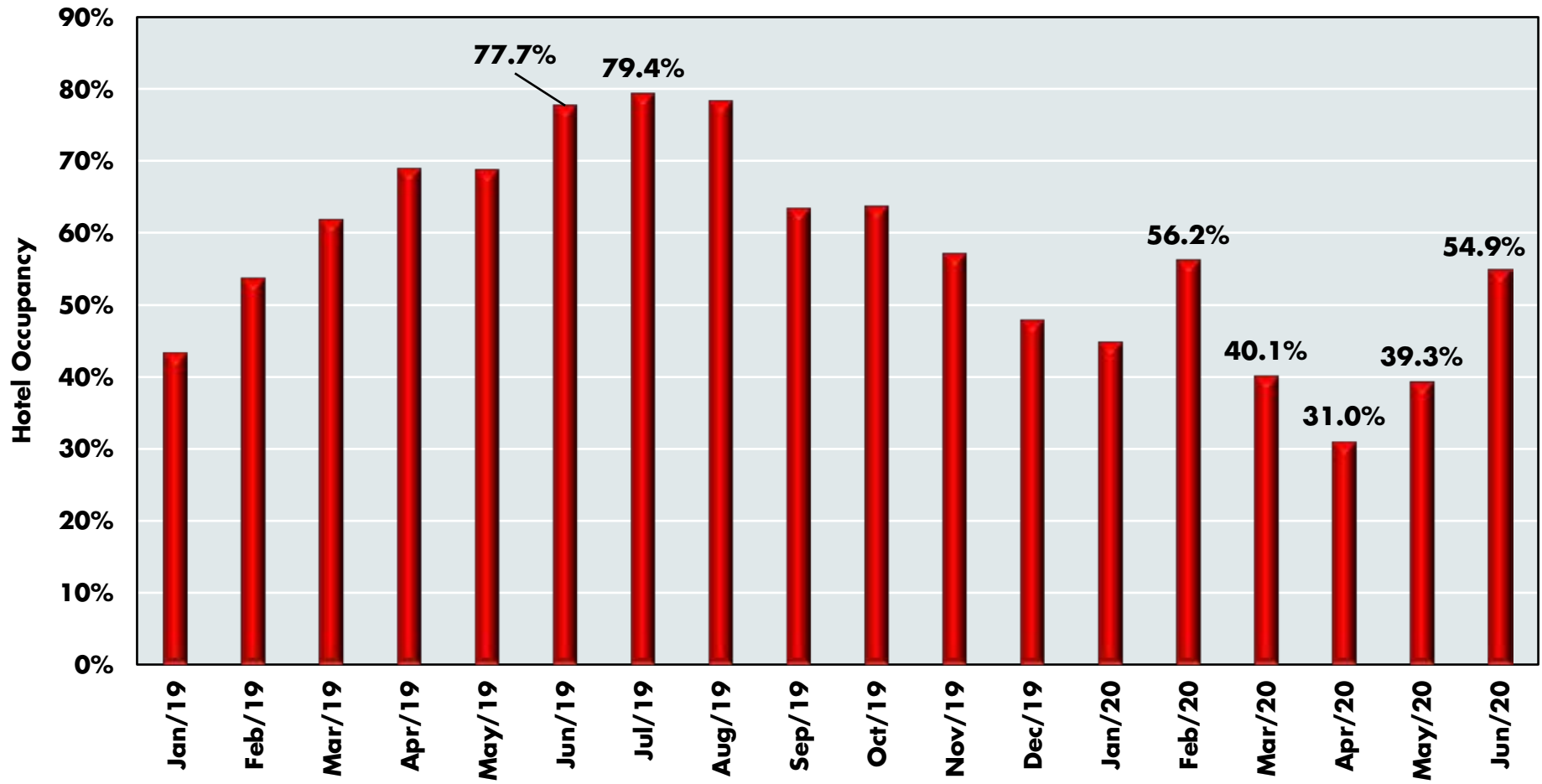
The dramatic declines in hotel occupancy are also evident in hotel revenue. 2019 was a record year for hotels in Hampton Roads. However, 2020 will likely prove historic for declines in revenue (Graph 10). Not only did hotel revenue fall, what each room earned, on average, declined as well. Revenue per available room (RevPAR) fell by 74% on a year-over-year basis in April 2020 and was approximately 45% lower on a year-over-year basis in June 2020. In other words, not only were fewer rooms occupied, but also the rooms that were available for rent in June 2020 earned only 55% of the revenue when compared to June 2019.

**While the travel and tourism sector has rebounded from the lows of April 2020, the recovery is not complete. Occupancy, revenue and RevPAR are down significantly on a year-over-year basis. With ongoing outbreaks of COVID-19 in other states, the best hope for the sector is to encourage visitors from within Virginia and traditional markets in the Northeast. Ongoing efforts by Norfolk and Virginia Beach to jointly promote travel to the region are an encouraging step in this direction. We commend this joint advertising campaign and encourage its expansion to leverage the resources of other localities in the region.**



GRAPH 9

HOTEL OCCUPANCY IN HAMPTON ROADS,  
JANUARY 2019-JUNE 2020

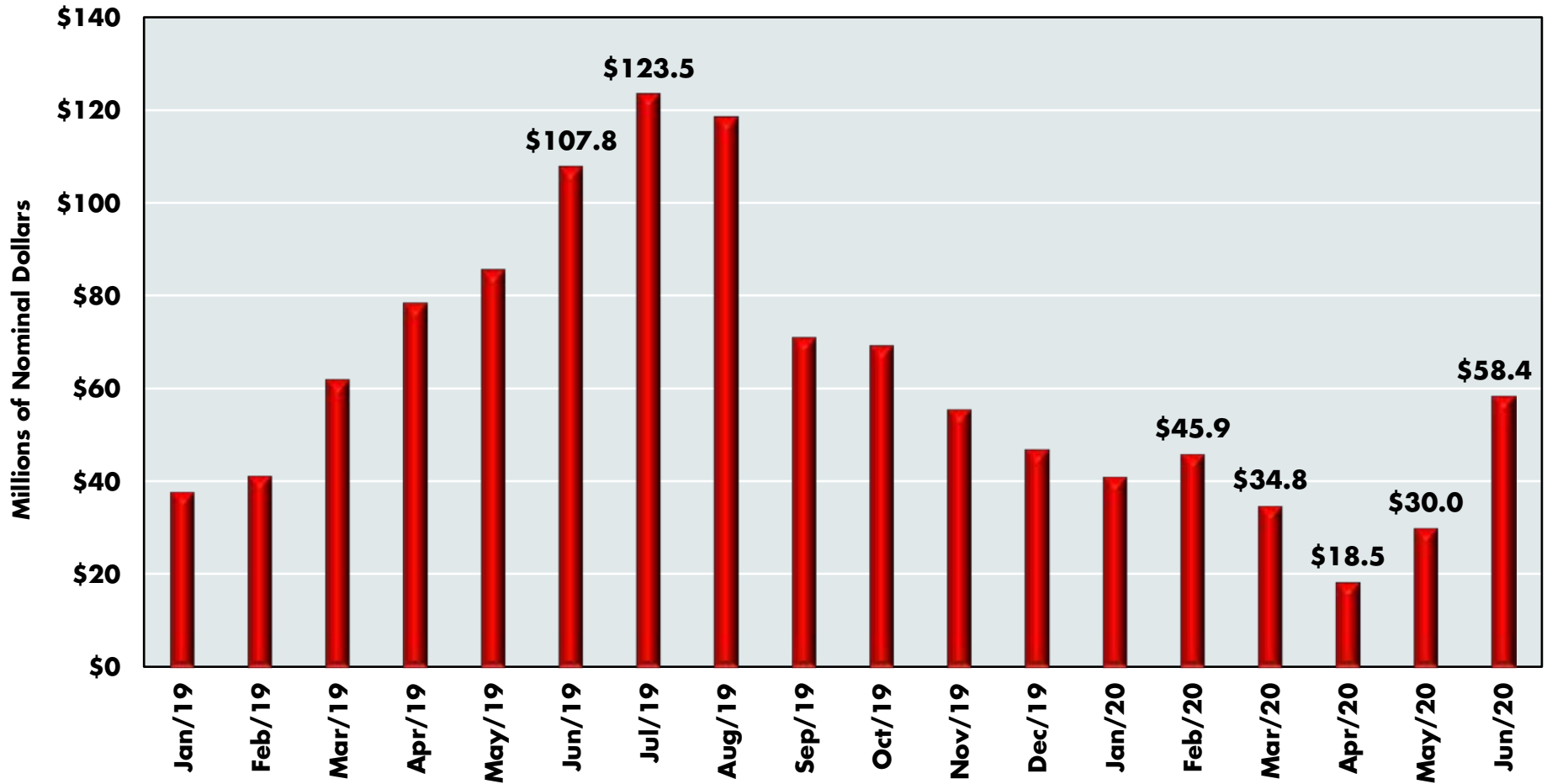


Sources: STR Trend Reports and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.



GRAPH 10

HOTEL REVENUE IN HAMPTON ROADS,  
JANUARY 2019-JUNE 2020



Sources: STR Trend Reports and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

# The Port: Rough Seas Ahead

The Port of Virginia's turnaround over the last decade has illustrated its importance to the Hampton Roads economy. Increasing cargo tonnage and a return to profitability were signals of more effective management. Challenges remained, however, including the Port's struggle to increase its market share relative to other East Coast ports. What were perceived by many as ill-advised trade wars of the Trump administration slowed international trade and increased uncertainty. The pandemic not only shocked supply chains, it also significantly reduced the flow of 20-foot equivalent container units (TEUs) through the Port of Virginia (Graph 11).

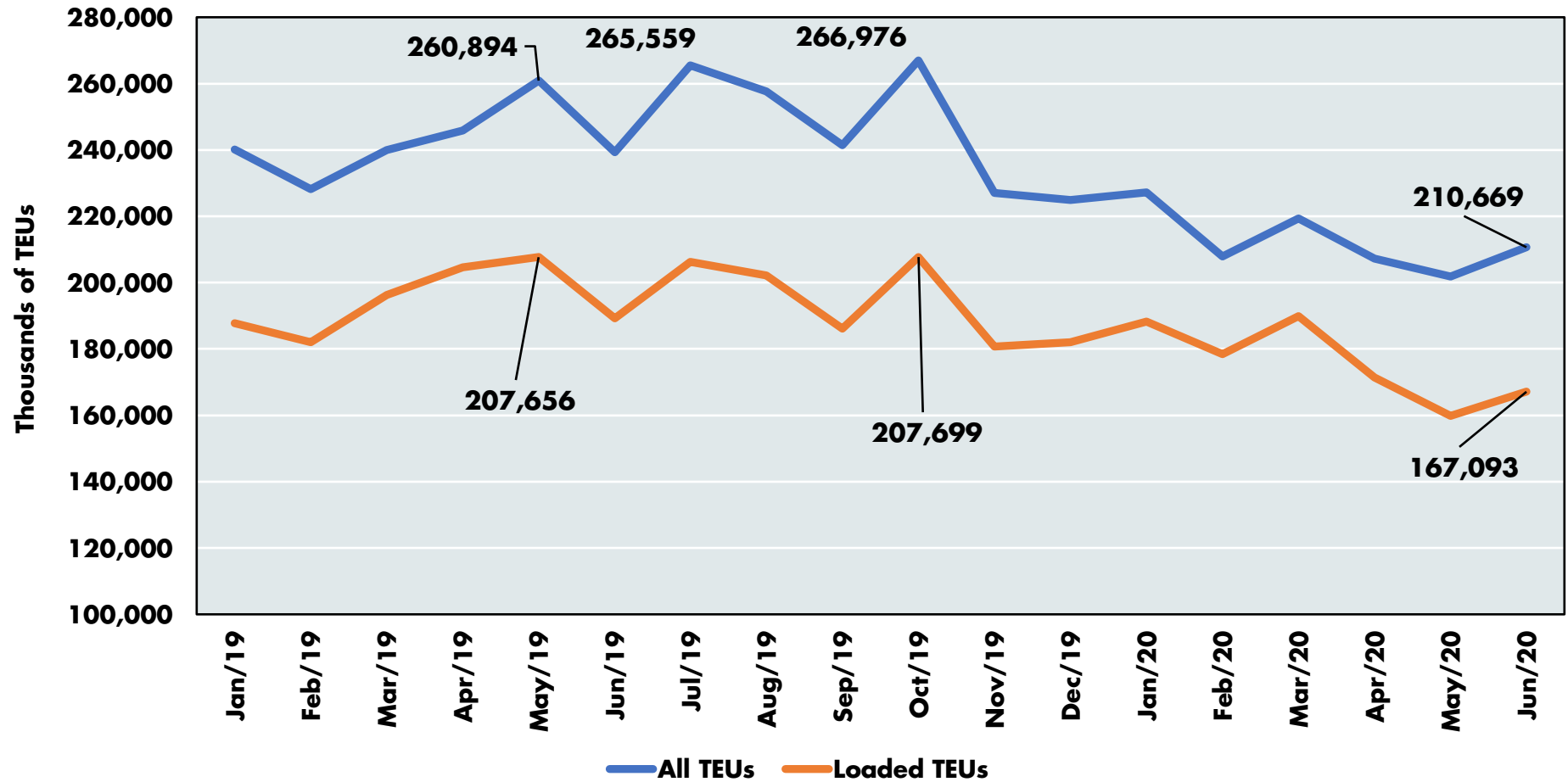
**Graph 12 displays the decline in import and export container tonnage for the Port of Virginia from January 2019 to June 2020. On a year-over-year basis, import and export tonnage declined by 17.3% and 4.2%, respectively, from June 2019 to June 2020. The global pandemic adversely impacted trade volumes along the East Coast. Just as troubling was the Port of Virginia's decline in the market share of loaded TEUs from 16.5% in 2019 to 16.2% from January 2020 to May 2020. In other words, the Port was not only handling less cargo, but it also continued to lose market share. Turning around this shift in market share is only one of the challenges the Port of Virginia will face in the coming years.**

Two of the three pillars of the Hampton Roads economy (the Port and travel/tourism) face headwinds for the remainder of 2020 and into 2021. The rapid increases in COVID-19 cases in some states in the summer of 2020 reduced the number of households that were willing to travel to Hampton Roads for a vacation. The synchronized domestic and global recession reduced the demand for imports and exports through the Port of Virginia. A return to growth in the region rests on the ability of these sectors to recover, and that is likely to come only with universal masking, more testing, quicker test results, more therapeutics and, finally, effective vaccines.



GRAPH 11

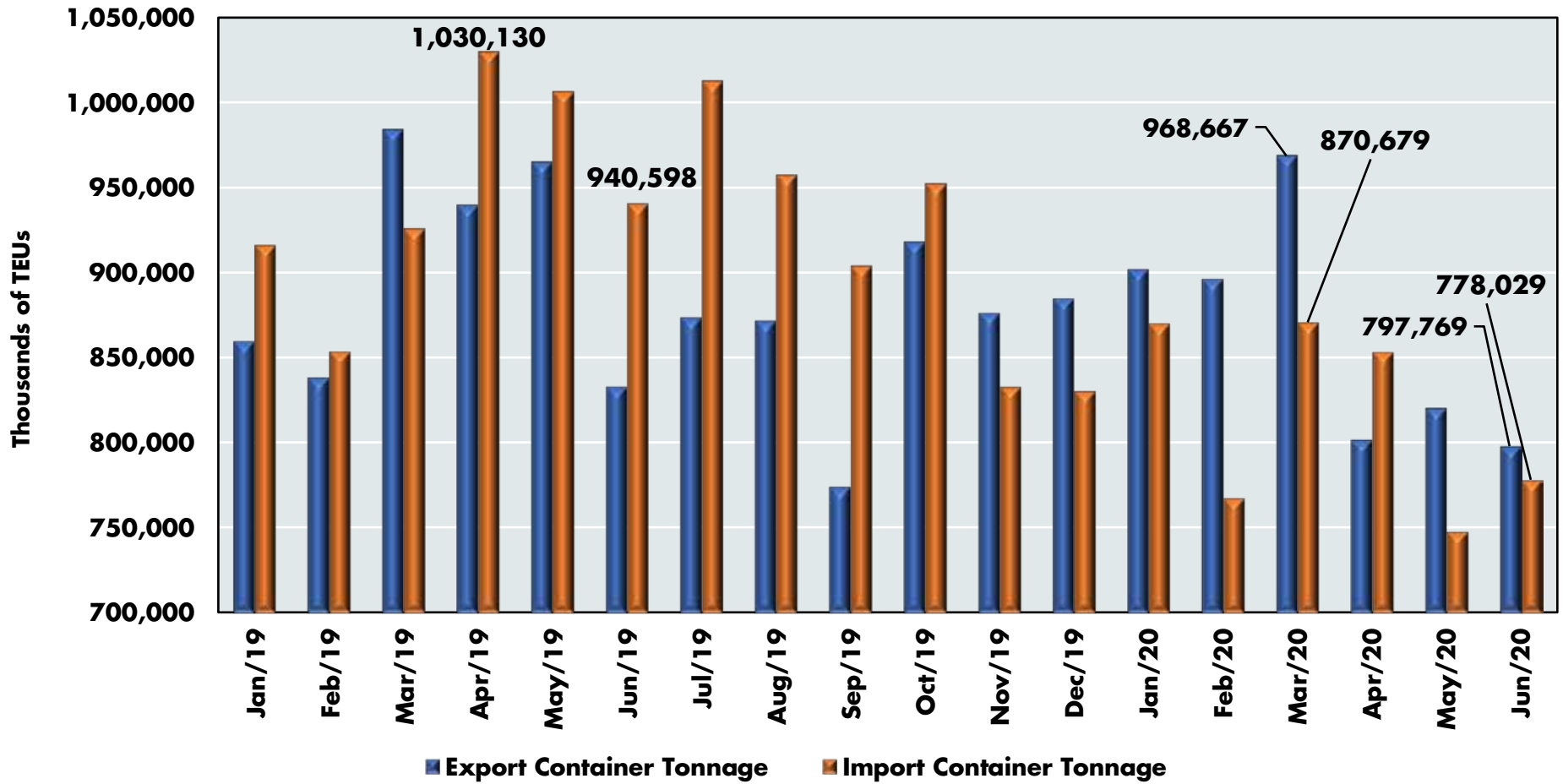
TOTAL AND LOADED 20-FOOT EQUIVALENT CONTAINER UNITS (TEUS):  
PORT OF VIRGINIA, JANUARY 2019-JUNE 2020



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

GRAPH 12

IMPORT AND EXPORT CONTAINER TONNAGE:  
PORT OF VIRGINIA, JANUARY 2019-JUNE 2020



Sources: Virginia Port Authority and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

# How Are Small Businesses Faring During The Pandemic?

The U.S. Census Bureau launched the Small Business Pulse Survey in May to monitor how businesses are coping with the COVID-19 pandemic and recession. The first wave of the survey covered the months of May and June, while the second wave launched in August 2020. Graph 13 illustrates how respondents to the survey in Hampton Roads gauged the impact of the coronavirus on their operations.

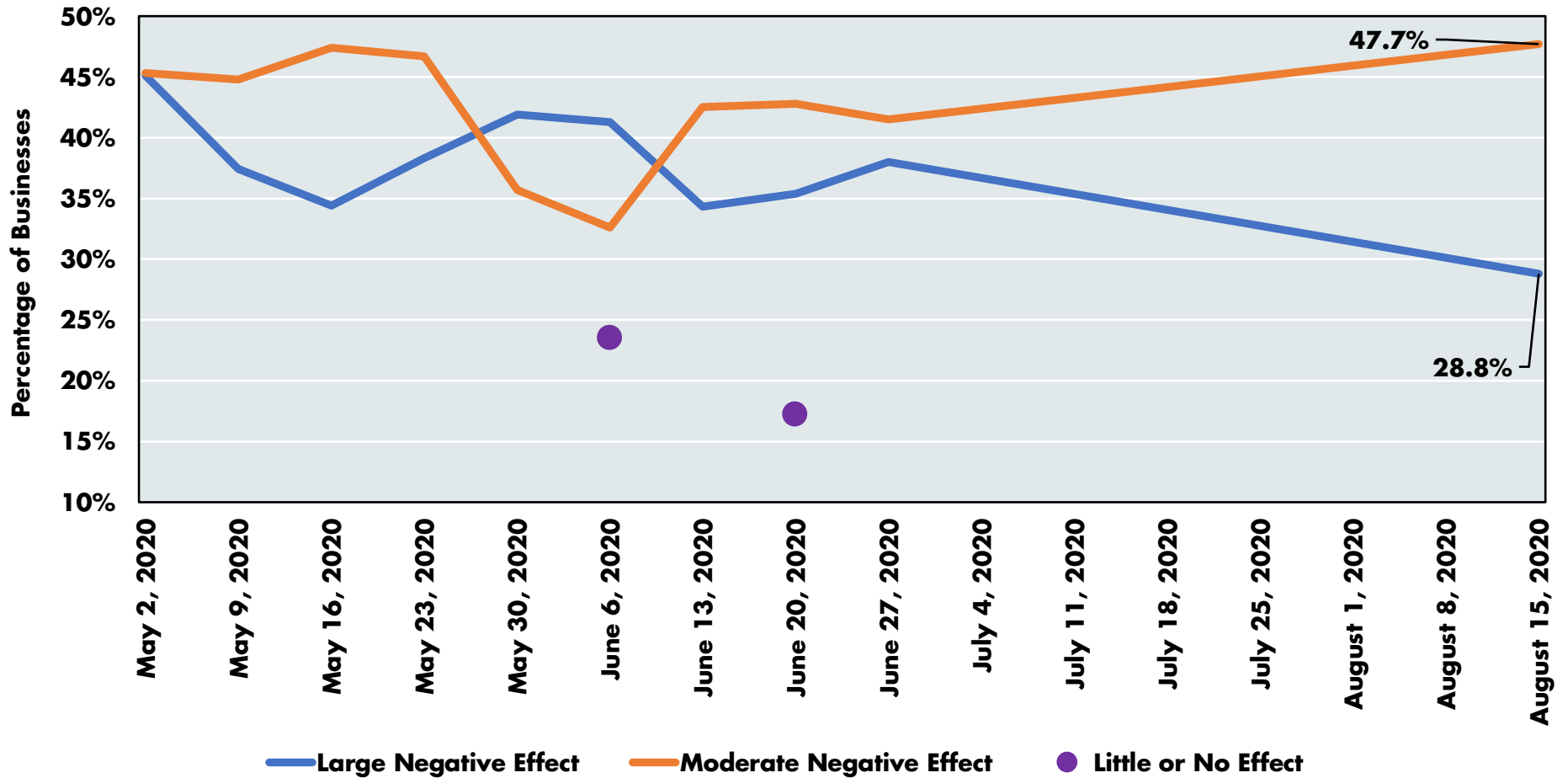
In May and June, more than 80% of small-businesses owners who responded to the survey stated that the pandemic had a large or moderate negative impact on their businesses. Small-business conditions appeared to improve in August, as the percentage of small-business owners stating that the pandemic had a large negative impact declined from approximately 35% to about 29% in August. However, more than 70% of small-business owners still responded that the pandemic had a large or moderate negative impact on their businesses.

In Graph 14, we illustrate the impact of COVID-19 on small businesses in Hampton Roads and Virginia by examining whether respondents had to close all their locations for at least one day during the survey week. The number of small businesses that temporarily closed in the region declined from over 35% in May to approximately 15% at the end of June. Hampton Roads and the Commonwealth appeared to outperform the nation, in that almost 18% of small businesses nationally responded that they had to close at least one day at the end of June. **Even with the Phase 3 reopening in Virginia, however, 1 in 7 small-business owners had to close shop at least one day a week.**



GRAPH 13

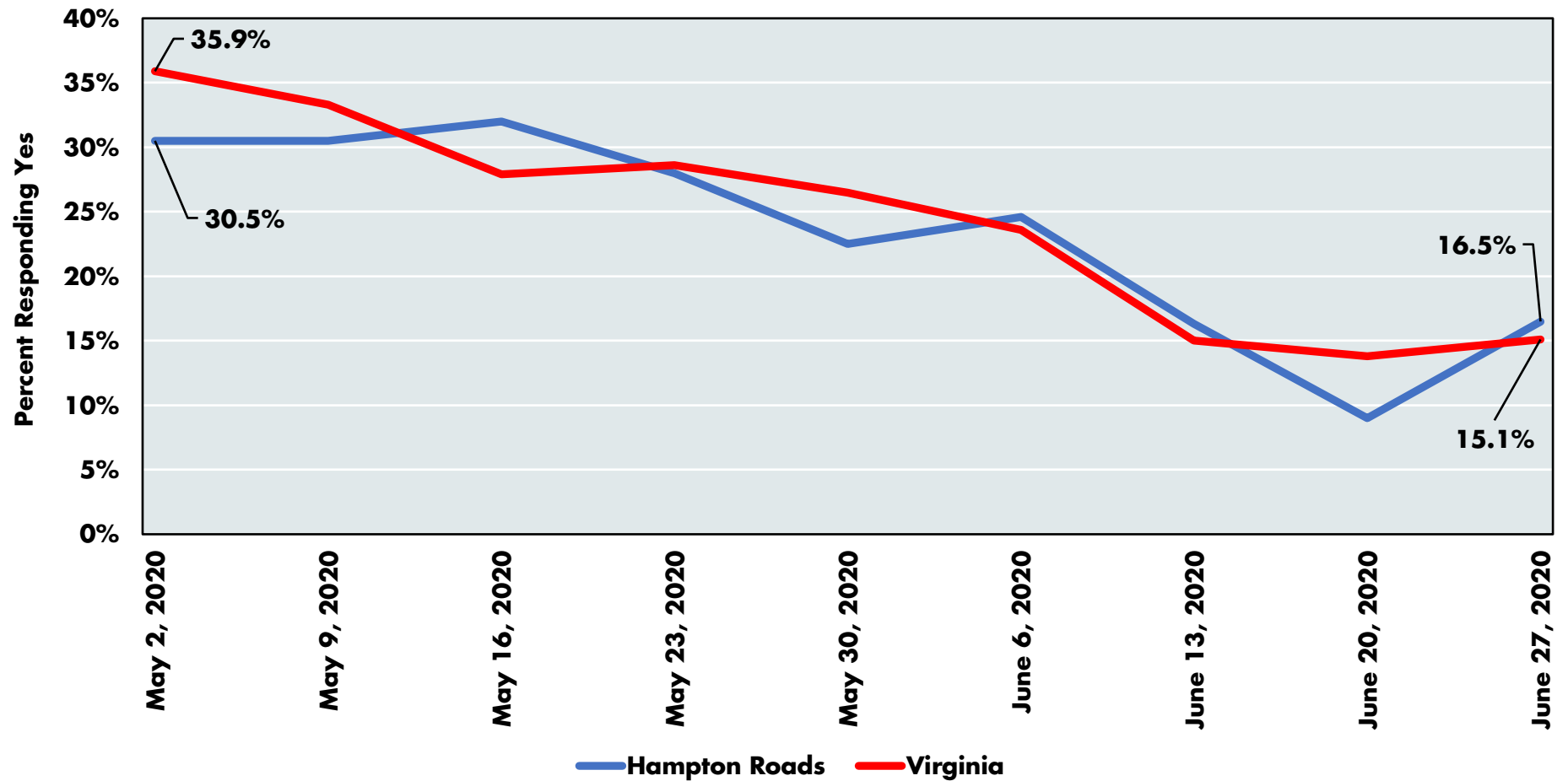
SMALL BUSINESS PULSE SURVEY: OVERALL IMPACT ON BUSINESS OPERATIONS  
IN HAMPTON ROADS, MAY 2, 2020-AUG. 15, 2020



Sources: U.S. Census Bureau, Small Business Pulse Survey, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Phase 1 of the survey covered the weeks of May 2 to June 27. Phase 2 of the survey opened the week of Aug. 15. No data were collected from June 27 to Aug. 9.

GRAPH 14

SMALL BUSINESS PULSE SURVEY: OVERALL IMPACT ON BUSINESS OPERATIONS  
IN HAMPTON ROADS AND VIRGINIA, MAY 2020-JUNE 2020



Sources: U.S. Census Bureau, Small Business Pulse Survey, and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted. Phase 1 of the survey covered the weeks of May 2 to June 27.

# Real Estate: A Bright Spot In The Chaos

Typically, the market for single-family homes struggles during a recession. As unemployment rises and economic activity falls, people become more wary of making large purchases. In some cases, families in financial difficulty are unable to meet their mortgage obligations, and foreclosures increase as a result. Hampton Roads experienced this firsthand in the aftermath of the Great Recession, with rapidly increasing foreclosures, declines in median housing values and a protracted recovery.

Through the summer of 2020, the housing market appeared to be one of the strong aspects of the Hampton Roads economy. Historically low interest rates have enabled homeowners to refinance and others to purchase homes. Graph 15 shows that the value of single-family building permits increased slightly from May 2019 to May 2020.

The market for single-family homes is seasonal, with fewer homes sold in the fall and winter relative to spring and summer. In Hampton Roads, the preponderance of home sales is existing homes, rather than new construction. Graph 16 illustrates the number of sales for existing single-family homes in Hampton Roads. More existing homes were sold in June 2020 than in June 2019. Home sales did slow in March, April and May, compared to last year, but Phase 3 appeared to boost sales back to normal levels. Not only did home sales increase year-over-year in June 2020, median prices continued to increase as well across Hampton Roads (Graph 17).

There are several possible reasons why home sales and prices have not fallen (yet) in the face of the COVID-19 recession. First, layoffs appear to be concentrated in relatively low-wage industries, and many homeowners may have been able to work remotely. Second, increased unemployment benefits through the Pandemic Unemployment Assistance (PUA) program may have allowed unemployed homeowners to meet their mortgage obligations.

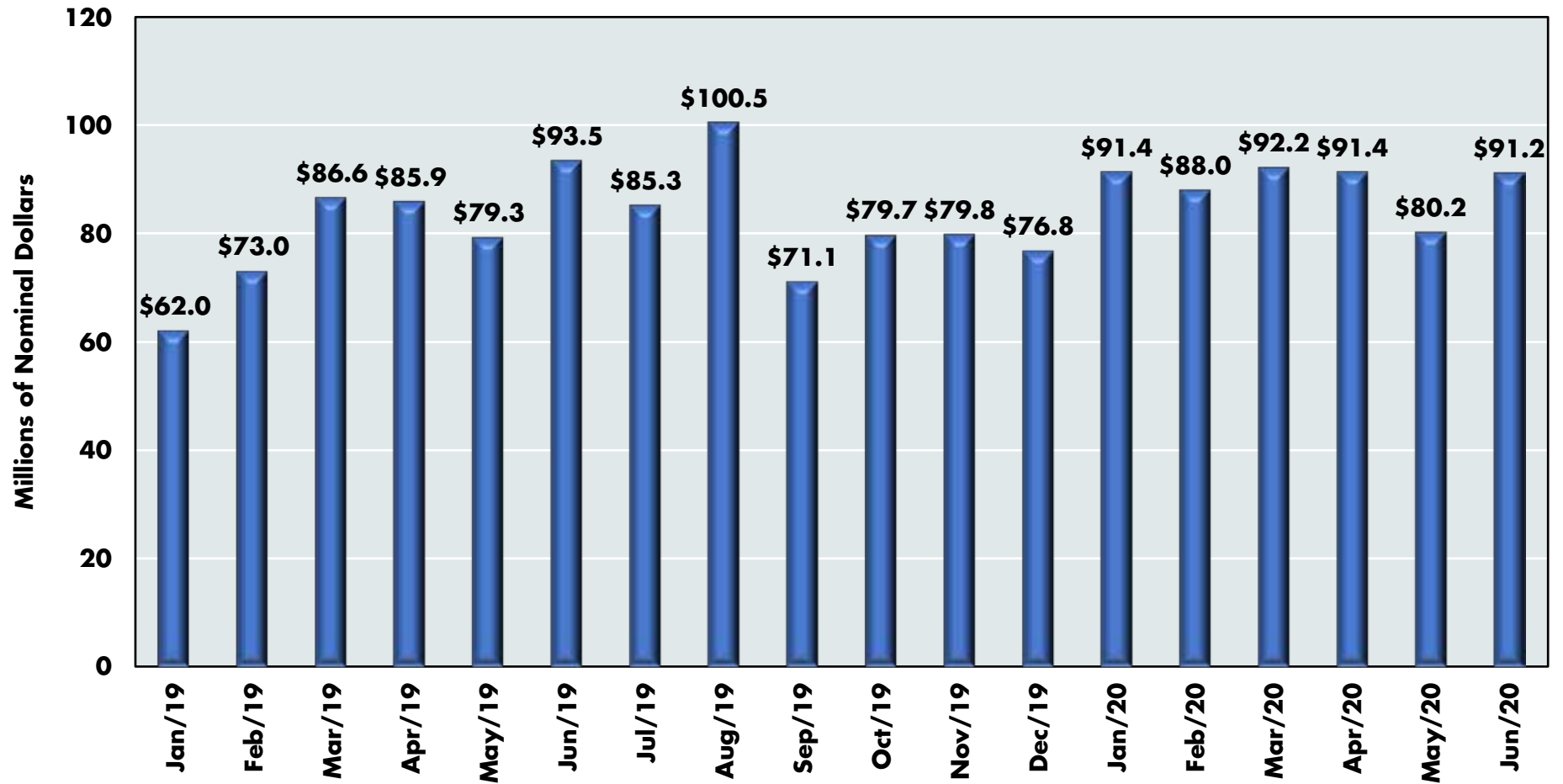
Historically low interest rates have also contributed to the rise in median home prices in Hampton Roads and across the nation. According to the Real Estate Information Network (REIN), average days on the market declined from 46 days in July 2019 to 41 days in July 2020. Market inventory was only 2.19 months, the lowest since REIN started tracking this measure. These factors led to a 7.9% increase in the median sales from July 2019 to July 2020. Time will tell if this trend continues into the fall of 2020.

Unlike the bigotry or racism exhibited by individuals, institutional or systemic racism refers to policies and practices that, explicitly or implicitly, have the effect of disadvantaging specific racial groups and there is no legitimate economic reason for this practice. Jim Crow laws and racial covenants regarding homeownership explicitly sought to reduce the ability of Black citizens to vote or purchase homes in the suburbs. The practice of labeling Black neighborhoods as high financial risk areas, or redlining, after World War II reduced the ability of Black households to obtain home loans and contributed to the significant disparities in wealth between white and Black households over time. Because systemic racism is largely the result of government policy, it typically requires government action to reduce and eliminate barriers to social and economic mobility.



GRAPH 15

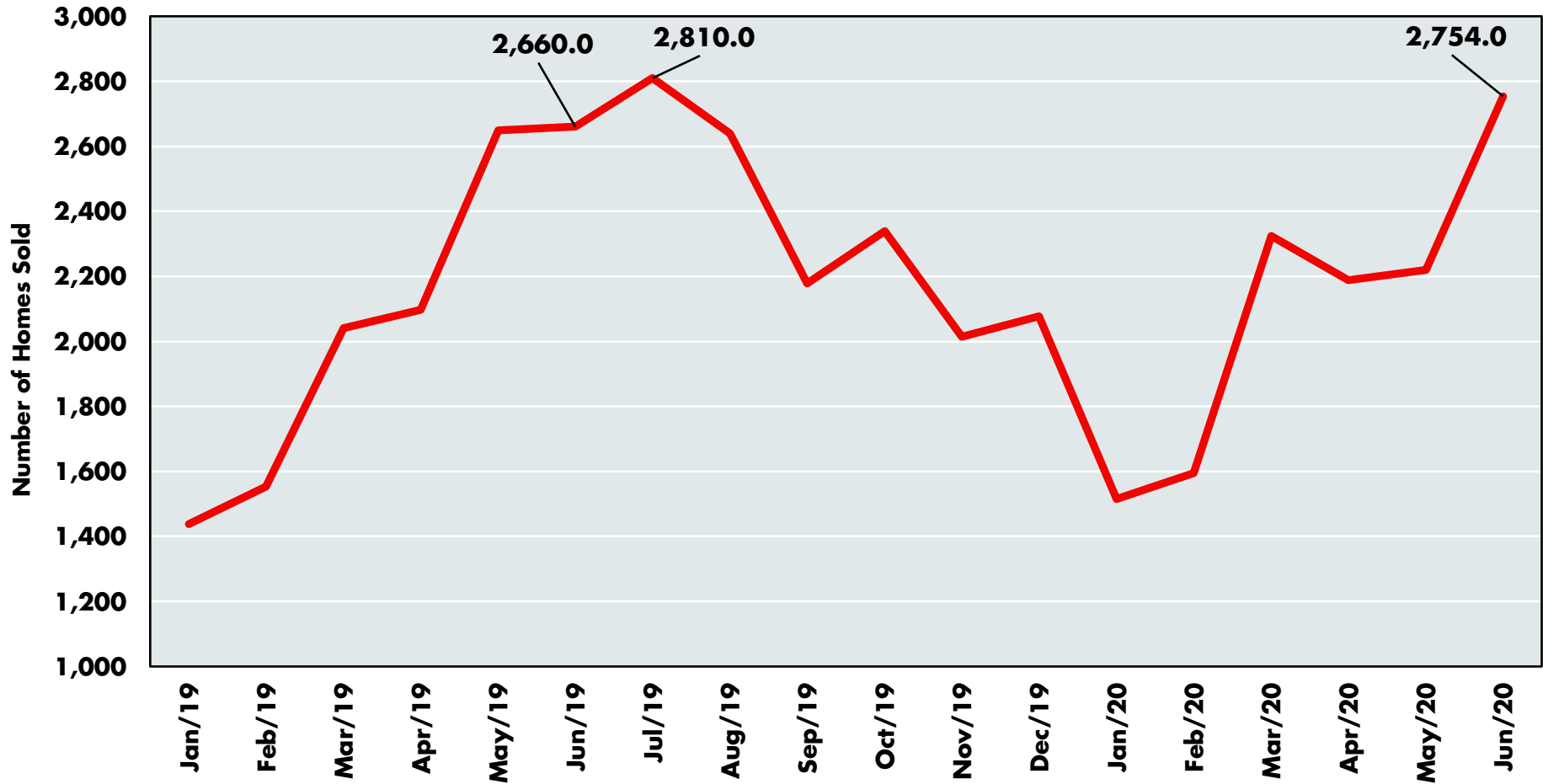
VALUE OF SINGLE-FAMILY BUILDING PERMITS:  
HAMPTON ROADS, JANUARY 2019-JUNE 2020



Sources: U.S. Census Bureau and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

GRAPH 16

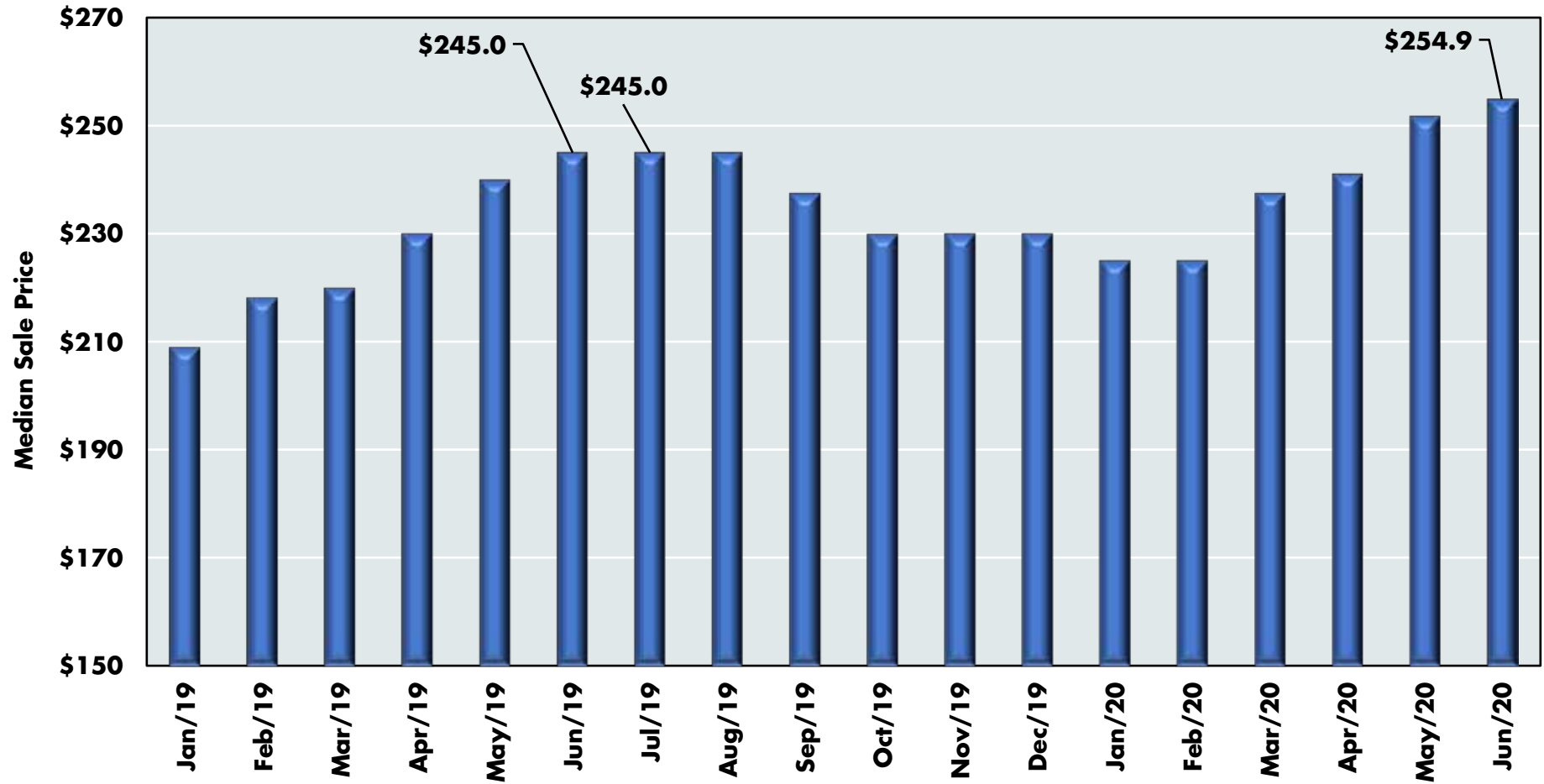
NUMBER OF EXISTING SINGLE-FAMILY HOMES SOLD:  
HAMPTON ROADS, JANUARY 2019-JUNE 2020



Sources: Real Estate Information Network and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

GRAPH 17

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES SOLD:  
HAMPTON ROADS, JANUARY 2019-JUNE 2020



Sources: Real Estate Information Network and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

# The Unequal Toll Of The COVID-19 Pandemic And Recession

The COVID-19 pandemic's disproportionate impact on the Black or African American community in Hampton Roads has shined a light on questions regarding systemic racism, social inequities and economic mobility. According to the U.S. Census Bureau, Black or African American residents comprised approximately 30% of the Hampton Roads population in 2018. Yet, data from the Virginia Department of Health show that Black or African American residents accounted for approximately half of all COVID-19 cases and hospitalizations in Hampton Roads through July 2020.

The disproportionate impact of the recession can be illustrated with labor market data. Graph 18 examines unemployment rates by race for the United States from February 2020 to June 2020. While unemployment rates were near historic lows in February 2020, Black and Hispanic workers were more likely to become and remain unemployed as the COVID-19 pandemic decreased economic activity. With states reopening across the country in May and June, the unemployment rate of white individuals in the labor force declined to almost 10% in June, while Hispanic unemployment dropped from a high of 18.9% in April to 14.5% in June. Black or African American unemployment declined slightly from May to June but lagged that of white and Hispanic workers.

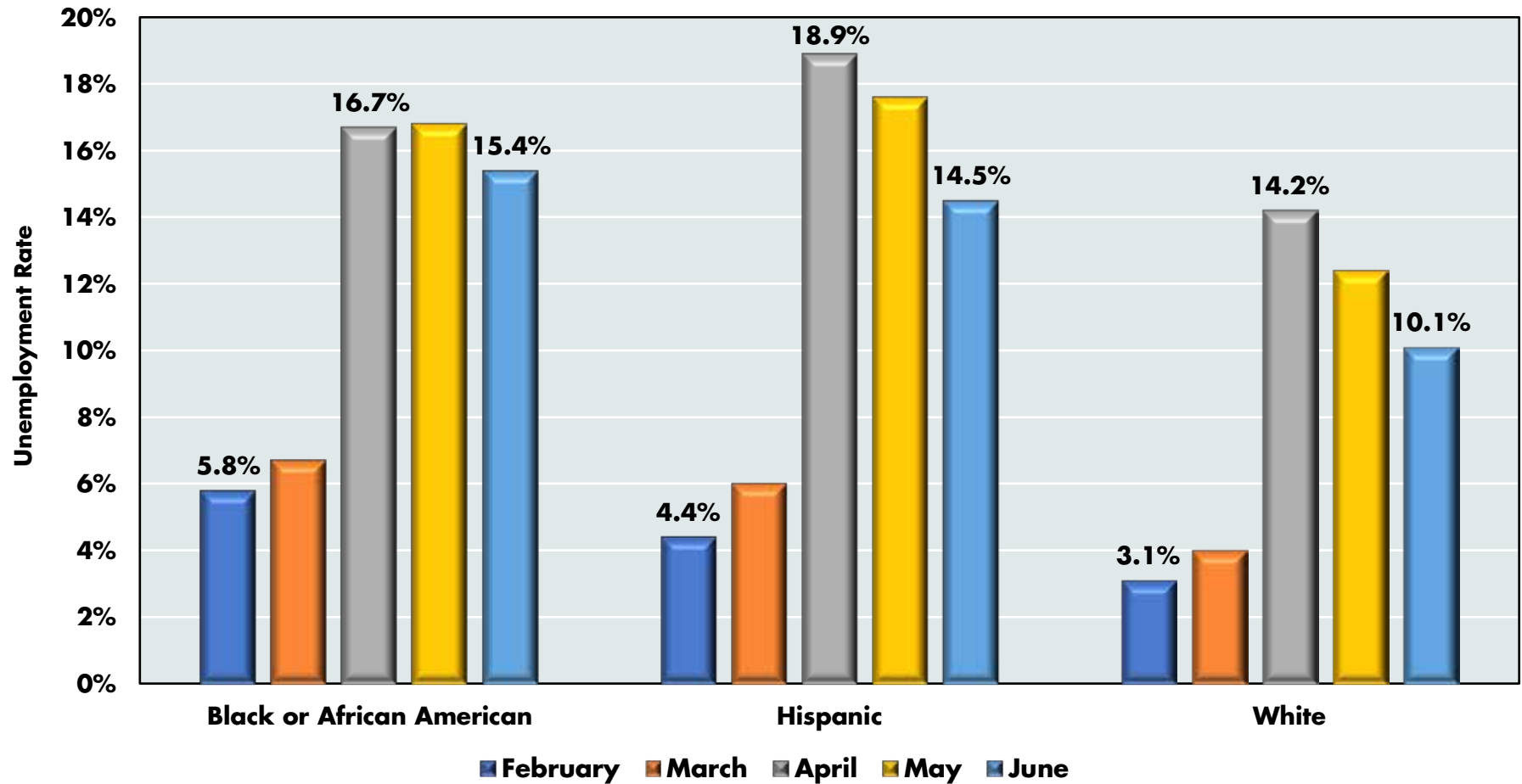
In Graphs 19 and 20, we examine the race of workers who filed an initial unemployment claim in Virginia for the weeks ending June 13, 2020, and July 4, 2020, respectively. According to the U.S. Census Bureau's 2018 American Community Survey 1-year estimates, Black or African American Virginians comprised approximately 19.2% of the population, white Virginians were approximately 67.4% of the population and Asians were about 6.5% of the population.

The initial unemployment claims data for Virginia show that Black or African American residents were more likely than other races to have filed a claim. The percentage of claims filed by Black or African American workers increased from June to July 2020, suggesting that the burden of new layoffs was increasingly falling on Black or African American individuals.



**GRAPH 18**

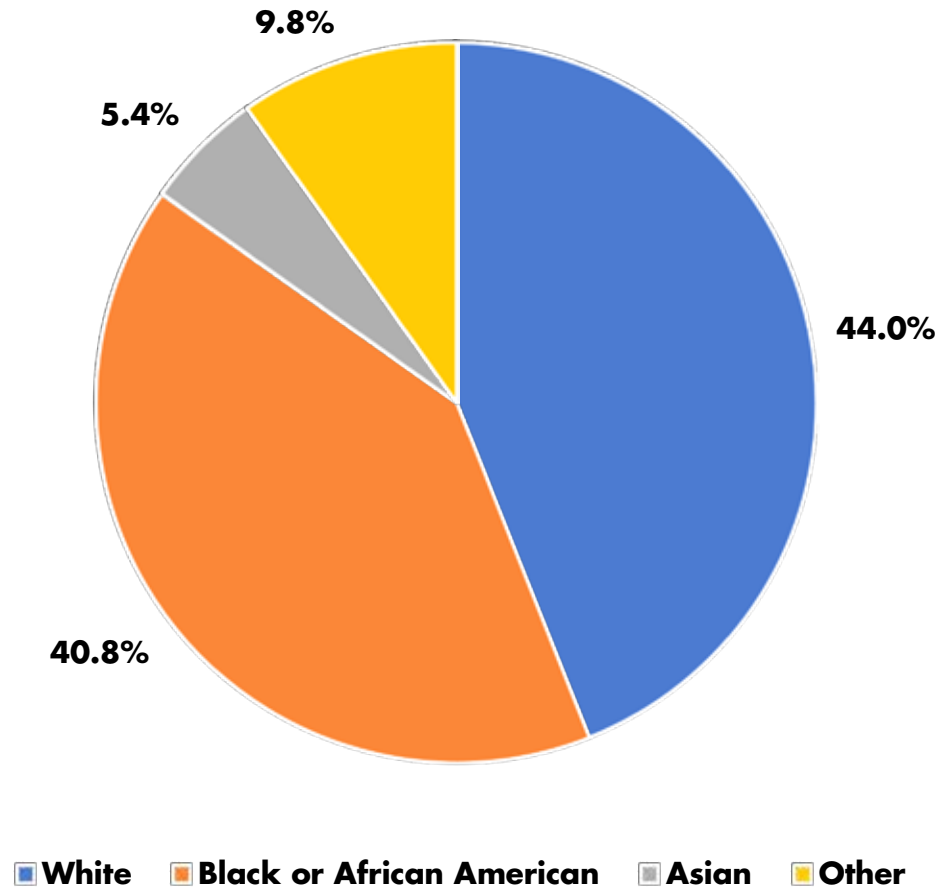
**UNEMPLOYMENT RATE BY RACE:  
UNITED STATES, FEBRUARY 2020-JUNE 2020**



Sources: Bureau of Labor Statistics and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

**GRAPH 19**

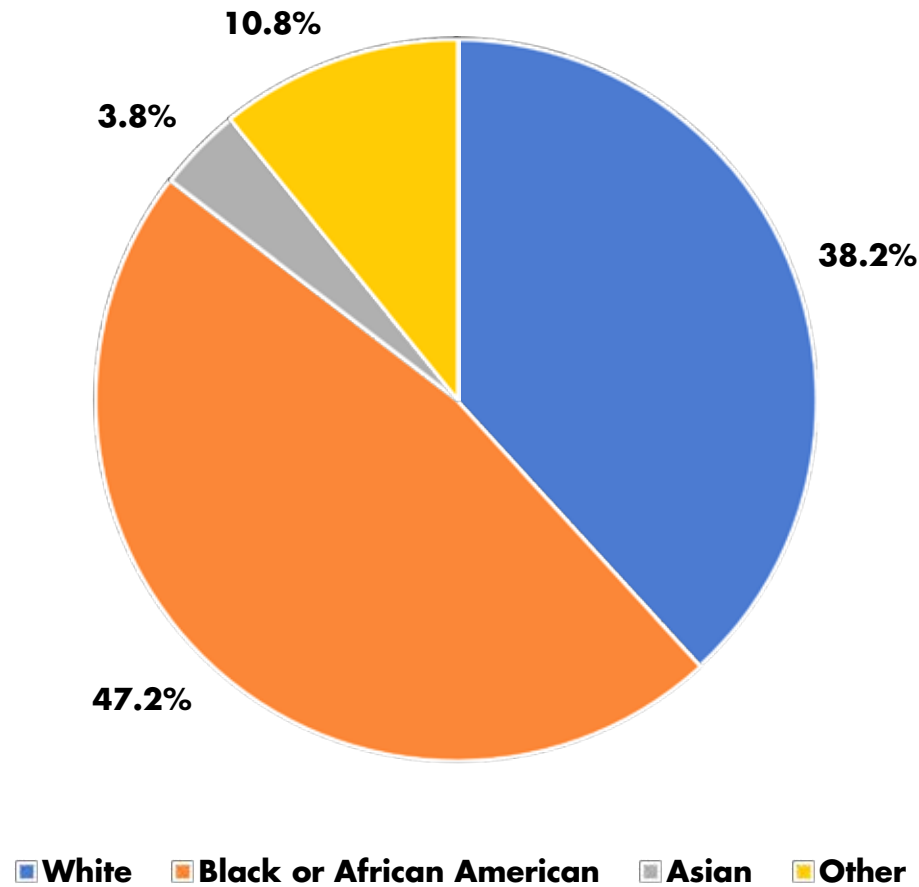
**INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE BY RACE:  
VIRGINIA, WEEK ENDING JUNE 13, 2020**



Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

**GRAPH 20**

**INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE BY RACE:  
VIRGINIA, WEEK ENDING JULY 4, 2020**



Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Data are not seasonally adjusted.

Table 1 presents data for continuing claims for unemployment insurance in Hampton Roads in January 2020 and June 2020. According to the 2018 American Community Survey 1-year estimates, Black or African American residents comprised 30.6% of the total population in Hampton Roads. At the end of June 2020, however, 49.7% of all individuals receiving continuing unemployment benefits were Black or African American.

**The proportion of women receiving unemployment benefits in Hampton Roads is also higher than their share of the population. This may be due to the declines in employment in several sectors (accommodation and food services, health care and social assistance, and retail trade) that employ relatively more women than men in many roles. The COVID-19 pandemic has also exposed the fragility of child care in Hampton Roads. Child care providers are more constrained in their ability to offer services. If schools do not fully reopen in the fall, this will further compound the employment-child care crisis facing many families. We cannot blithely assume that support structures will operate post-COVID-19 as they did pre-COVID-19.**





TABLE 1

**CONTINUING CLAIMS FOR UNEMPLOYMENT INSURANCE BY SELECTED DEMOGRAPHICS:  
HAMPTON ROADS, JANUARY 2020 AND JUNE 2020**

<b>Demographic Category</b>	<b>Percent of the Population in 2018</b>	<b>January 2020 Continuing Claims</b>	<b>June 2020 Continuing Claims</b>	<b>Percent of June 2020 Continuing Claims</b>
<b>RACE/ETHNICITY</b>				
<b>White</b>	<b>58.4%</b>	<b>1,921</b>	<b>35,107</b>	<b>39.6%</b>
<b>Black or African American</b>	<b>30.6%</b>	<b>3,466</b>	<b>44,084</b>	<b>49.7%</b>
<b>American Indian or Alaska Native</b>	<b>0.3%</b>	<b>34</b>	<b>346</b>	<b>0.4%</b>
<b>Asian</b>	<b>4.1%</b>	<b>82</b>	<b>3,072</b>	<b>3.5%</b>
<b>Other Races</b>	<b>1.8%</b>	<b>368</b>	<b>5,909</b>	<b>6.7%</b>
<b>Hispanic or Latino</b>	<b>6.9%</b>	<b>46</b>	<b>185</b>	<b>0.2%</b>
<b>AGE</b>				
<b>Under 22 years</b>	<b>28.4%</b>	<b>83</b>	<b>7,834</b>	<b>8.8%</b>
<b>22 to 24 years</b>	<b>4.5%</b>	<b>190</b>	<b>8,692</b>	<b>9.8%</b>
<b>25 to 34 years</b>	<b>15.4%</b>	<b>1,474</b>	<b>26,063</b>	<b>29.4%</b>
<b>35 to 44 years</b>	<b>12.4%</b>	<b>1,465</b>	<b>17,858</b>	<b>20.1%</b>
<b>45 to 54 years</b>	<b>11.9%</b>	<b>1,214</b>	<b>12,490</b>	<b>14.1%</b>
<b>55 to 64 years</b>	<b>12.8%</b>	<b>1,193</b>	<b>10,892</b>	<b>12.3%</b>
<b>65 years and over</b>	<b>14.6%</b>	<b>298</b>	<b>4,874</b>	<b>5.5%</b>
<b>GENDER</b>				
<b>Male</b>	<b>49.1%</b>	<b>2,983</b>	<b>36,455</b>	<b>41.1%</b>
<b>Female</b>	<b>50.9%</b>	<b>2,934</b>	<b>52,248</b>	<b>58.9%</b>

Sources: Virginia Employment Commission and the Dragas Center for Economic Analysis and Policy, Old Dominion University. Continuing claims for January and June cover 100% of total continuing claims. U.S. Census Bureau (2018), Sex by Age American Community Survey 1-year estimates.

# The Psychological Toll Of COVID-19, Recession And Protests

The economic impact of the coronavirus has not been the only source of stress and anxiety in 2020. The death of George Floyd sparked national protests about the role of police, systemic racism and its impact on African Americans, and highlighted continuing inequalities in education, income, wealth and other social conditions. At the beginning of the COVID-19 pandemic, the U.S. Census Bureau launched weekly surveys of households and businesses, intent on capturing the after-effects of the pandemic on Americans.<sup>3</sup> The survey results provide a glimpse into the impact of Floyd's death, the protests that followed and the national debate on how to reform policing in America.

**The impact of Floyd's death on May 25, 2020, appears in the survey data for the week ending June 2. For the week ending May 26, 36% of Black or African American respondents to the survey reported not being able to control or stop worrying at least several days a week, higher than white or Asian respondents but lower than Hispanic respondents (Graph 21). In the week that followed Floyd's death, 41% of Black or African American households responded that they had several instances of not being able to control these emotions. The increase of five percentage points equates to approximately 1.4 million more Americans exhibiting feelings akin to anxiety or depression.**

**The survey results reflected in Graph 21 also illustrate that Black or African American and Hispanic households displayed these symptoms at a higher rate than white or Asian households for the duration of the pandemic survey periods.**

<sup>3</sup> <https://www.census.gov/programs-surveys/household-pulse-survey.html>.

The disproportionate burdens of COVID-19 and layoffs likely contributed to the rise in anxiety and depression among these households. The national debate about the treatment of people of color by the police has heightened tensions for these communities. As the economic and social tolls continue to rise, we should, unfortunately, expect to observe signs of increased fragility among these households.

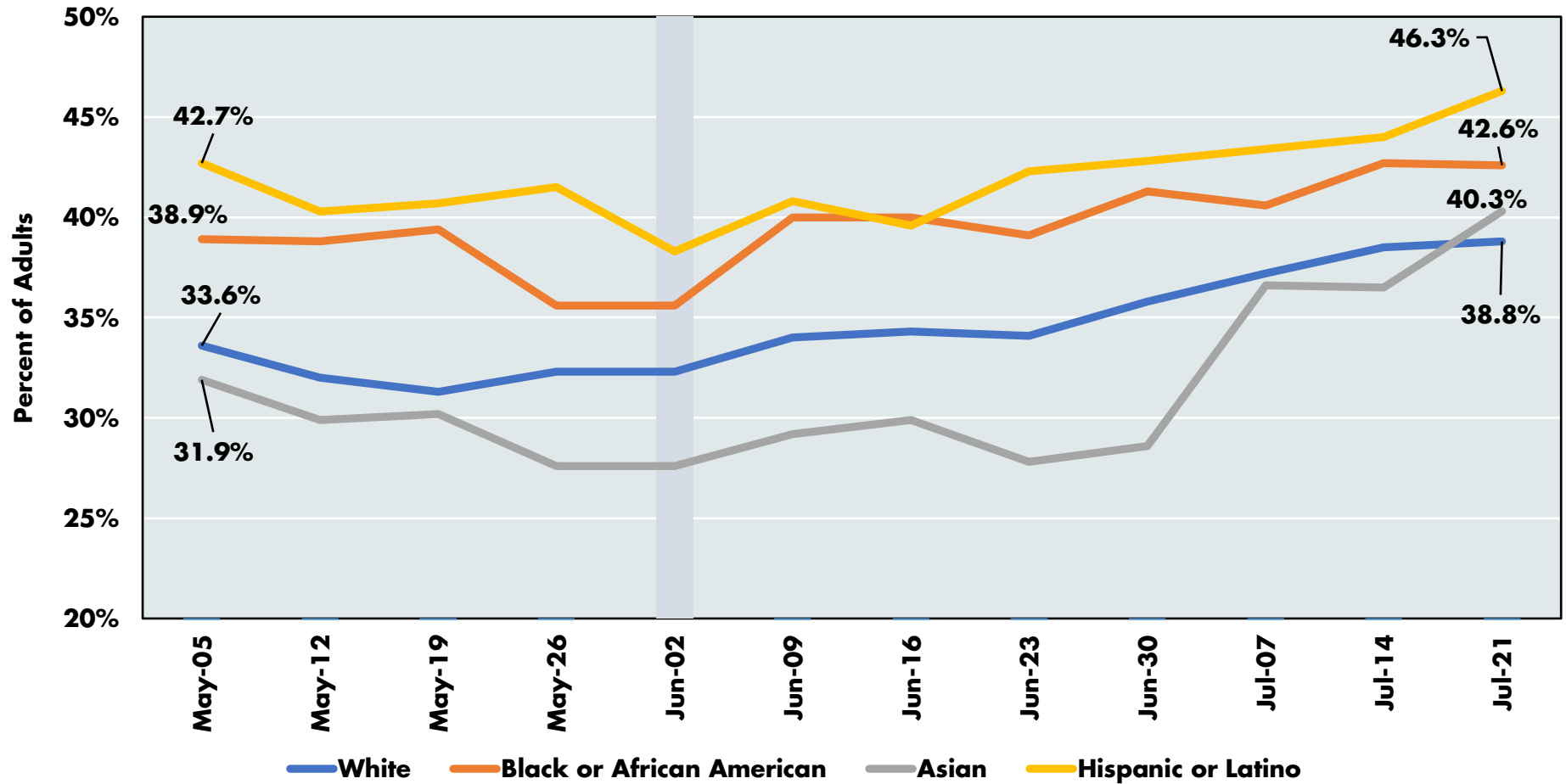
We would be remiss if we did not recognize the rise in symptoms of anxiety and depression among Asian households in the survey. Attempts to label the coronavirus as the "Chinese virus" or "Wuhan virus," limitations on foreign students attending American universities and damage to Asian-American businesses from riots in some cities have appeared to increase anti-Asian sentiment. Recent research notes that anti-Asian sentiment has risen online in proportion to searches for COVID-19.<sup>4</sup> Other research suggests that hate crimes against Asians have risen in the United States during the pandemic.<sup>5</sup>

**The rise of a national debate about the treatment of people of color, inflammatory language about the origins of COVID-19 and economic uncertainty have undermined the mental health of households in the United States. Improvements in economic conditions in June did not reduce these symptoms, highlighting the tensions in American society. As the economic and social tolls continue to rise, we expect, unfortunately, to observe continued signs of anxiety and depression among American households.**

<sup>4</sup> K.F. Vachuska, (2020), "Initial effects of the coronavirus pandemic on racial prejudice in the United States: Evidence from Google trends," <https://doi.org/10.31235/osf.io/bgpk3>.  
<sup>5</sup> A.R. Gover, S.B. Harper and L. Langton, "Anti-Asian Hate Crime During the COVID-19 Pandemic: Exploring the Reproduction of Inequality," *American Journal of Criminal Justice*, 45, 647–667 (2020), <https://doi.org/10.1007/s12103-020-09545-1>.

GRAPH 21

ADULTS EXHIBITING SYMPTOMS OF ANXIETY OR DEPRESSIVE DISORDER:  
UNITED STATES, MAY 5, 2020-JULY 21, 2020



Sources: U.S. Census Bureau and the National Center for Health Statistics, Household Pulse Survey, Mental Health, available at: <https://www.cdc.gov/nchs/covid19/pulse/mental-health.htm>

# Final Thoughts

The COVID-19 pandemic and recession will test the mettle of our region, state and nation like no other crisis in recent memory. We already have observed historic levels of initial unemployment claims, continuing unemployment claims and permanent unemployment. The declines in retail trade, hotel revenue and occupancy, and traffic through the Port of Virginia will likely take years, not months, to abate. The combination of the virus and recession has exposed the continuing racial inequities across all aspects of life. We have a mountain to climb and we must recognize that there will be setbacks. However, in crisis lies opportunity, and we have the chance to improve our economic resiliency and equity. In doing so, we can forge a new path for Hampton Roads, one that not only promises equality of opportunity, but also provides the conditions for every individual to succeed to the best of their abilities.

**It took the United States and Virginia more than 70 months to recover all the jobs lost during the Great Recession. For Hampton Roads, the recovery was more tepid, taking over 100 months to recover the lost jobs. Undoubtedly, the COVID-19 economic shock has exceeded that of the Great Recession. The lackluster federal response has only deepened the economic shock. We must temper our expectations and accept that a recovery will not be quick or smooth. In all likelihood, we should not expect a full recovery until at least 2022, although we would be happy to be proven wrong on this point. More critically, we must reimagine what recovery will look like in a changed world. This is a time to question assumptions and old ways of doing things. How can the region thrive in a world where people wear masks, keep their distance and, in many cases, operate virtually?**

In our efforts to recover, we must ask hard questions about the structure of our regional economy. COVID-19 and the recession have disproportionately affected Hispanic and Black and African American communities across the United States. Hampton Roads has been no exception.

Black and African American workers are more likely to work in industries that have borne the brunt of the crisis. Hotels, restaurants and retail trade shed workers at a historic pace in the spring. While some of these jobs have returned, recovery will take time. Hispanic and Black and African American workers are also more likely to work in jobs that require face-to-face contact and are not conducive to remote work.

The national, state and regional protests have also shone a light on the role of systemic racism in employment, public health and wealth inequality. While conversations about systemic racism are a first step, action is also required for deliberate change to occur. If government policy created these conditions, then deliberate action must be taken to reduce the harms of previous policy decisions. We understand that these discussions will be hard, and solutions will require work and time. However, we have an opportunity to reimagine how we work and live as a region. In 1853, American Unitarian theologian Theodore Parker wrote, "The arc of the moral universe is long, but it bends toward justice." We can, working together, make progress toward that goal.



