Impacts of COVID-19 across Philadelphia's Neighborhoods

Part 1: The Scale of the Small Business Crisis

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The COVID-19 public health crisis has placed the future of Philadelphia's small business community at risk, with the Commonwealth's stay-at-home order resulting in thousands of temporary business closures and the highest unemployment levels since the Great Depression. Early indications suggest federal relief efforts have struggled to provide aid to those most in need, particularly minority-owned businesses in low-income neighborhoods.[1] A recent national survey[2] found that many small businesses will not have the financial resources to reopen without additional aid, with only 47 percent of businesses expected to remain open by the end of year if the crisis lasts at least four months.

Small business closures would have profound economic and cultural repercussions for Philadelphia. Many small businesses provide key services to low-income residents across the city and serve as economic drivers in neighborhoods that struggle with poverty. Permanent layoffs would worsen the city's already-too-high poverty rate, deepen the magnitude of the overall recession, and delay the city's eventual recovery. With the possibility of losing beloved shops and restaurants, neighborhoods face the threat of losing core parts of their unique identities and cultures, a dramatic and potentially irreversible change. Inevitably, these impacts will not affect all neighborhoods equally, as small businesses play a varied role across the city's diverse communities. Initial evidence suggests that the economic burden of the crisis will fall disproportionately on the city's most disadvantaged neighborhoods, with the largest job losses for low-income, Black and Hispanic workers.[3]

As the city and its residents navigate the COVID-19 emergency, the Controller's Office is committed to analyzing the ways COVID-19 will financially impact residents and businesses. With financial need greatly outweighing available resources and the City facing an unprecedented reduction in revenue, policymakers must effectively target support where it is most needed. This report is the first of a four-part series on Philadelphia's small business community. Part one focuses on the scale of the small business crisis in Philadelphia and the unique challenges faced by the city. Remaining parts use a variety of data sources to identify the neighborhoods, workers, and business owners most impacted by the economic shutdown. The research in this series can be used as a tool by local policymakers to more effectively protect the city's most vulnerable populations and advocate at the state and federal level for the urgency of the city's economic situation.

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[1] https://www.nytimes.com/2020/05/18/business/minority-businesses-coronavirus-loans.html
[2] https://www.nber.org/papers/w26989.pdf
[3] Household Pulse Survey: May 7 – May 12; https://www.epi.org/blog/black-and-hispanic-workers-are-much-less-likely-to-be-able-to-work-from-home/; https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202051.pdf

The Scale of the Crisis

Since the second week of March, more than 150,000 workers, about 21 percent of the city's total workforce, have filed for unemployment.[4] Unemployment has been highest in industries that could not shift workers to telecommuting, such as restaurants, retail, personal services, and hospitality and leisure. According to Census data,[5] the most impacted industries are:

- Retail trade;
- Food and accommodation services;
- Transportation and warehousing;
- Health care and social assistance;
- Educational services, which include day cares; and
- Other services, which include personal and laundry services.

Using county-level business data from the Census,[6] Philadelphia has the largest share of small businesses[7] in these affected industries, suggesting that the economic impact of the pandemic will be particularly severe in Philadelphia. As shown in the table on the next page, more than 17,000 of Philadelphia's small businesses, about 63 percent of all small businesses in the city, are estimated to be impacted by the economic shutdown. This is the largest share of impacted businesses relative to peer counties, and it is significantly larger than the national average (50 percent).

Philadelphia's small business risk is due primarily to its large share of small businesses in the food and accommodation sector. This industry accounts for 14 percent of small businesses in Philadelphia, a full 3 percentage points more than the county with the next largest share. Additionally, Philadelphia has the largest share of businesses classified as Other Services, driven by a large share of small businesses providing personal and laundry services, which includes beauty and nail salons. On the other hand, Philadelphia has one of the smallest shares of professional service businesses, which are more likely to support telecommuting. With more of its small business economy relying on industries requiring face-to-face contact, the COVID-19 economic shutdown could potentially have a devastating impact on the city's local economy. With the Commonwealth's stay-at-home order continuing until June 5, it is clear that Philadelphia's small businesses and the workers they employ will need additional relief to limit the long-term damage to the foundation of the city's economy.

[4] https://www.workstats.dli.pa.gov/dashboards/Pages/Weekly-UC.aspx
[5] Data on the most impacted industries is from the Census Small Business Pulse Survey.
[6] Source: 2017 County Business Patterns survey.
[7] Small businesses are defined as having fewer than 250 employees for this analysis.

Small Business Exposure to COVID-19 for the 25 Largest Counties

Sorted by percent of small businesses in impacted industries

	State	County Seat	Population	Total Small Businesses	Number of Impacted Small Businesses	Percent of Small Businesses Impacted
Philadelphia	**PA**	**Philadelphia**	**1,584,138**	**27,870**	**17,481**	**62.7%**
Wayne	MI	Detroit	1,753,893	32,123	19,414	60.4%
Kings	NY	Brooklyn	2,582,830	58,514	33,765	57.7%
Queens	NY	Queens	2,278,906	50,016	28,616	57.2%
Bexar	TX	San Antonio	1,986,049	36,015	19,042	52.9%
San Bernardino	CA	San Bernardino	2,171,603	35,389	18,573	52.5%
Tarrant	TX	Fort Worth	2,084,931	41,811	21,705	51.9%
Riverside	CA	Riverside	2,450,758	38,728	19,594	50.6%
U.S. Total			**327,167,439**	**7,803,931**	**3,915,776**	**50.2%**
Sacramento	CA	Sacramento	1,540,975	29,325	14,676	50.0%
Cook	IL	Chicago	5,180,493	132,440	65,827	49.7%
Alameda	CA	Oakland	1,666,753	39,780	19,621	49.3%
Los Angeles	CA	Los Angeles	10,105,518	273,677	134,581	49.2%
Clark	NV	Las Vegas	2,231,647	45,467	22,139	48.7%
Harris	TX	Houston	4,698,619	101,191	47,851	47.3%
Middlesex	MA	Cambridge	1,614,714	44,254	20,831	47.1%
New York	NY	Manhattan	1,628,701	102,687	47,977	46.7%
Maricopa	AZ	Phoenix	4,410,824	93,757	43,046	45.9%
King	WA	Seattle	2,233,163	68,707	31,193	45.4%
Santa Clara	CA	San Jose	1,937,570	48,167	21,827	45.3%
Dallas	TX	Dallas	2,637,772	65,807	29,648	45.1%
San Diego	CA	San Diego	3,343,364	84,536	37,957	44.9%
Miami-Dade	FL	Miami	2,761,581	84,356	37,418	44.4%
Palm Beach	FL	West Palm Beach	1,485,941	48,500	21,315	43.9%
Broward	FL	Fort Lauderdale	1,951,260	60,750	26,631	43.8%
Orange	CA	Santa Ana	3,185,968	96,219	41,009	42.6%

Sources: *2017 County Business Patterns, 2018 1-year Amercian Community Survey*

Notes: *Small businesses defined as businesses with fewer than 250 employees; Impacted industries include retail trade, transportation, educational services, health care, arts & entertainment, accommodation & food services, and other services.*

About 70 percent of Philadelphia's jobs are in one of the industries impacted by the stay-at-home order. As shown in the table on the next page, this is the second highest share across the country's largest counties, second only to Kings County in New York. Unfortunately, Philadelphia faces a number of challenges that these other counties do not, challenges that are likely to worsen the economic effects of the current recession. Entering the COVID-19 crisis, Philadelphia had both the highest unemployment rate (5.9 percent) and the highest poverty rate (24.5 percent) of the country's largest counties. With the local economy particularly sensitive to social distancing measures, the unemployment and poverty rates will increase and are likely to remain the highest in the country for the foreseeable future.

The Impact of COVID-19 on Workers in the 25 Largest Counties

Sorted by percent of workers in impacted industries

	State	County Seat	Pre-COVID Unemployment Rate*	2018 Poverty Rate	Percent of Workers in Impacted Industries
Kings	NY	Brooklyn	3.5%	19.0%	72.0%
Philadelphia	**PA**	**Philadelphia**	**5.9%**	**24.5%**	**68.6%**
Clark	NV	Las Vegas	3.9%	13.9%	65.5%
Queens	NY	Queens	3.0%	11.5%	65.0%
San Bernardino	CA	San Bernardino	3.8%	14.9%	61.2%
Riverside	CA	Riverside	4.1%	12.7%	60.9%
Miami-Dade	FL	Miami	1.5%	16.0%	58.5%
Palm Beach	FL	West Palm Beach	3.1%	12.2%	58.3%
Broward	FL	Fort Lauderdale	2.9%	12.4%	55.4%
Sacramento	CA	Sacramento	3.7%	14.3%	55.1%
Bexar	TX	San Antonio	3.1%	17.3%	53.6%
Tarrant	TX	Fort Worth	3.2%	12.1%	53.3%
Los Angeles	CA	Los Angeles	4.6%	14.1%	52.9%
Wayne	MI	Detroit	4.4%	21.6%	51.9%
San Diego	CA	San Diego	3.2%	11.4%	51.8%
U.S. Total			**3.8%**	**13.1%**	**51.7%**
Cook	IL	Chicago	3.4%	13.7%	51.6%
Maricopa	AZ	Phoenix	3.8%	12.2%	51.4%
Middlesex	MA	Cambridge	2.5%	7.3%	47.3%
Alameda	CA	Oakland	3.0%	8.9%	46.8%
Harris	TX	Houston	3.9%	16.6%	46.5%
New York	NY	Manhattan	3.0%	15.5%	44.9%
King	WA	Seattle	2.4%	9.3%	44.7%
Orange	CA	Santa Ana	2.8%	10.5%	44.5%
Dallas	TX	Dallas	3.3%	14.1%	44.2%
Santa Clara	CA	San Jose	2.6%	7.2%	37.8%

** Unemployment rate from February 2020, not seasonally adjusted*

Sources: *2017 County Business Patterns, 2018 1-year Amercian Community Survey, Bureau of Labor Statistics*

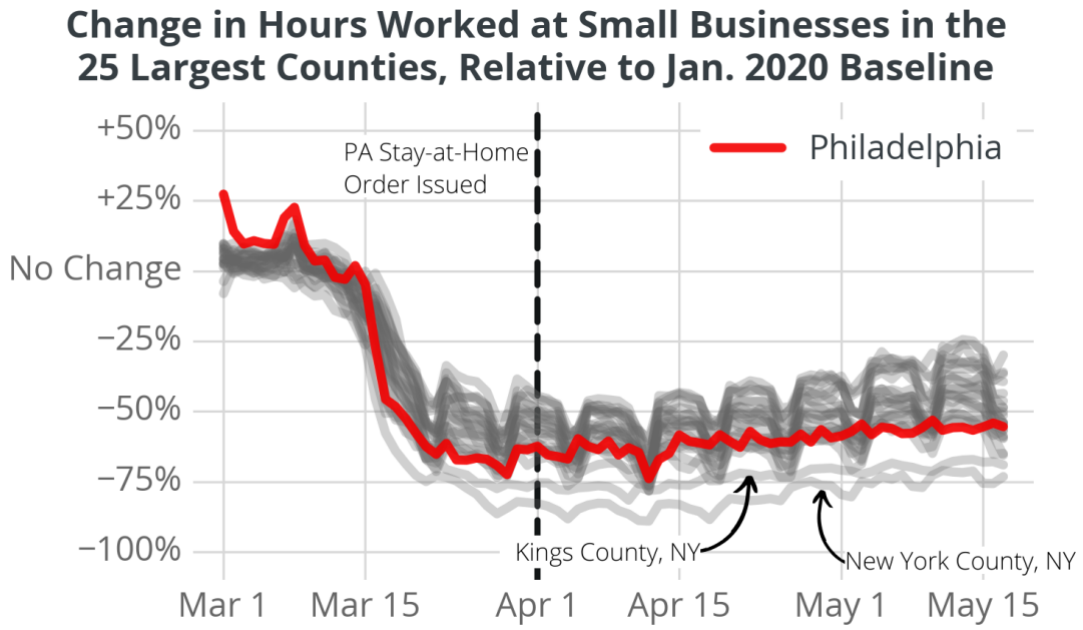
Notes: *Impacted industries include retail trade, transportation, educational services, health care, arts & entertainment, accommodation & food services, and other services.*

Real-time data on the economic effects of the stay-at-home order are crucial for understanding the scale of the current crisis. However, these data sources are limited, and the effects will not be reflected in official statistics for several months. Homebase, a scheduling and time-card company for local businesses, has published real-time data[8] on small businesses that use its scheduling software. The data, which consists primarily of companies with fewer than 50 employees in the food and drink or retail industries,[9] shows that the pandemic has had a devastating impact on Philadelphia's small businesses. Businesses have had to significantly reduce their levels of operation to comply with the Commonwealth's stay-at-home order, with

[8] See data published by Homebase on its website: https://joinhomebase.com/data/city/?Msa=Philadelphia

[9] https://irle.berkeley.edu/labor-market-impacts-of-covid-19-on-hourly-workers-in-small-and-medium-sized-businesses-four-facts-from-homebase-data-2/

about half of business locations temporarily ceasing all operations.[10] Worker hours have also declined significantly, down about 60 percent relative to pre-COVID levels. As seen in the figure below, this drop is one of the largest declines among the top 25 counties, only behind counties in New York City where the pandemic has been particularly severe.



Source: Homebase data for small businesses

Conclusion

Census data on jobs and small businesses for Philadelphia suggests the effects of the COVID-19 crisis on the local economy for both workers and business owners will be huge. The few available sources of real-time data on the crisis support this story. More than 20 percent of the city's workforce has filed for unemployment since the crisis began. About half of small businesses have temporarily ceased all operations. Worker hours have decreased by more than 60 percent relative to pre-crisis levels. While some federal relief has been passed, in the form of enhanced unemployment benefits for workers and potentially forgivable loans for small businesses, additional support is certainly needed. In a city already struggling with poverty and unemployment prior to the current crisis, it is crucial for local policymakers to make strategic investments in the neighborhoods most at risk, targeting support and services to those most in need.

[10] A location is considered closed temporarily if no employee clocks in using the Homebase software on a given day.