Research

Hazard Pay During COVID-19

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Executive Summary

- Workers in essential occupations are being provided little additional support during the COVID-19 pandemic, and low-wage workers are likely making less than individuals on unemployment; some policymakers are proposing hazard pay—additional financial support often used in industries with high probability of death or injury—to compensate essential workers for the risks they are taking.
- At the federal level, Democrats have introduced a bill and President Trump has voiced his support of additional pay for workers on the frontlines of the epidemic, while several localities have already approved hazard pay with varying levels of pay increases.
- Nationwide hazard pay could be distributed as a percentage of income or as a flat rate and could cost up to $148.9 billion with a 25 percent hourly wage increase, $298 billion with a 50 percent hourly percent wage increase, or $398.9 billion at a $13 an hour increase if it were offered from March to the end of September.
- In crafting a hazard-pay policy, policymakers will need to consider the length of time during which hazard pay will be provided and which essential workers will be eligible to receive it.

Introduction

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, nearly all individuals receiving unemployment benefits are seeing an emergency increase of $600 a week in addition to what would normally be provided. While this expansion helps those who have lost jobs or seen their hours cut, little support or incentive is being provided for those workers deemed “essential” and who are expected to continue going into work despite the risk of contracting COVID-19.

Many are looking for ways to support these essential workers and particularly low-wage earners and those providing medical care and attention to the sick. Increasing compensation for at-risk workers would effectively take the form of hazard pay, an often-used compensation method in industries with high instances of death or injury such as logging, fishing, and electrical installation. In addition to legislative initiatives on the federal level, a number of localities have approved hazard pay while several states have proposed it. As Congress considers a possible fourth coronavirus relief bill that could include hazard pay, it's crucial to understand how such a system would be structured, who would be eligible, the size of the pay increase, and the potential costs associated with it.

Hazard Pay During the COVID-19 Pandemic

Hazard pay is additional compensation for performing duties that involve physical hardship or that place workers in potentially dangerous situations. There are currently no federal regulations that would secure hazard pay or any additional compensation for the essential workers during COVID-19. Typically, hazard pay is given at a particular percentage of hourly pay or at a flat rate. The Code of Federal Regulation provides helpful examples of hazard pay under specific circumstances, including "known exposure to serious disease for which adequate protection cannot be provided" (FR 1989). Under general guidance, government workers are given a maximum of a 25 percent premium in hazard pay. There is also the other option of including hazard pay as a flat rate paid at the end of the month.

Federal Legislative Initiatives

Hazard pay is currently being considered as a way to address the challenging employment situation brought about by COVID-19 and has garnered bipartisan support. President Trump has said that his administration is considering providing additional compensation to frontline health care workers, potentially in the form of bonus pay after the pandemic is over. Treasury Secretary Steven Mnuchin suggested that a possible fourth stimulus package could include hazard pay for frontline workers whose earnings were too high to qualify for the $1,200 individual rebate passed under the CARES Act.[i] Speaker Nancy Pelosi and Senate Minority Leader Chuck Schumer have also spoken in favor of providing additional financial support to those workers who by nature of their occupations are putting themselves at significant risk during the pandemic. On April 7th, Senate Democrats released their hazard pay proposal as part of their "Heroes Fund" plan. According to Senator Schumer, the plan would cover a number of different medical professionals in addition to other workers in essential services such as truck drivers, pharmacists, and grocery store clerks. This proposal would apply a flat rate hazard pay increase of $13 an hour, capped at $25,000 for workers earning less than $200,000 annually and $5,000 for those earning over $200,000 annually.[ii]

State and Local Legislative Initiatives

While the federal government introduces and negotiates new legislation, some states have already proposed their own hazard pay for certain essential employees. Citing concerns about the disparity between low wages and the newly expanded unemployment benefits, Vermont is considering implementing hazard pay statewide. One local business, City Market, located in Burlington, is offering their workers an additional $120 a week from March 15th until May 2nd, for a total of $840.[iii] Massachusetts and Ohio legislatures are among other states that are moving toward their own hazard pay legislation. with pay proposals ranging from flat rate increases to a 50 percent increase in hourly pay.[iv] The Kanawha County Commission (in West Virginia), the Birmingham (Alabama) City Council, and the Augusta (Georgia) City Council are a few of many local governments that have already approved some kind of hazard pay for certain eligible workers.[v] Additionally, the Maine legislature has extended hazard pay to over 800 workers in state mental health and correctional facilities. [vi]

Nationwide Hazard Pay

Eligibility Criteria

Determining who would receive hazard pay is perhaps the most challenging aspect of creating any legislation, be it at the local or federal level. This is in large part because hazard pay does not occur because of legislation; rather, it is agreed upon through negotiations between labor groups, workers, and employers. The hazard pay that is currently up for consideration is intended to support workers who are essential and do not have the flexibility to regularly work remotely. The term "essential worker" is not clearly defined, and therefore the group of workers who would receive hazard pay is different in every proposal.

The Cybersecurity and Infrastructure Security Agency, (CISA) in collaboration with other federal agencies, released an advisory list outlining the "Essential Critical Infrastructure Workforce." The CISA's advisory list in its entirety could include over 50 million workers, or around 30 percent of the labor force. The list is by no means intended to be a federal directive, and individual states and localities are encouraged to add or subtract essential categories at their own discretion, so it is unlikely that every single occupation outlined in the CISA list would receive additional compensation.

Costs

To understand the potential magnitude of federally legislated hazard pay, there are several different factors to consider—the amount of additional pay that workers will receive,

eligibility criteria, and the timeframe that hazard pay covers.

The following analysis uses detailed wage data from the occupational employment statistics program; it assumes a lower-bound timeframe of 11 weeks of hazard pay and an upper-bound timeframe of 29 weeks.[vii] Three different levels of wage increase were used to illustrate different methods of wage increase that have either been proposed or have been used in the past.

In calculating the increase in wages, it is assumed that the average work week contains 40 hours, and the median wage across the different occupations is used.

Last, the estimates given are dependent on the number of workers or occupation that are eligible to receive hazard pay. With over 50 million individuals making up essential industries, legislators will need to make important decisions regarding the scope of additional pay. In this analysis, the occupations included were selected based on what was outlined in existing and proposed coronavirus hazard-pay policies. These detailed occupations were grouped into broader categories of health care,[viii] transportation,[ix] food production and sale,[x] public safety,[xi] and building cleaning and maintenance.[xii]

Using a flat-rate system like the one proposed in the Heroes Fund would ensure that funds are distributed equally across wage distributions. Furthermore, it would likely ease the logistical burden of having to assign different dollar amounts to each worker based on the chosen percentage of their base pay. The flat-rate system rather than percentage-based pay would be better suited for the nationwide hazard pay package that legislators have been exploring. It's important to note that while the Democratic plan calls for the $13 increase in hourly pay, the length of time the plan outlines is much longer, running from January 22nd to the end of the year, totaling 49 weeks. The estimate for that time frame is included in the table below.

Table 1: $13 in hourly wage increase

Hazard Pay Recipients	Workers (millions)	11 Weeks of Hazard Pay (billions)	29 Weeks of Hazard Pay (billions)	49 weeks of Pay (billions)
Health care	10.1	$59.2	$156.3	$264.1
Transportation	3.8	$22.1	$58.4	$98.7
Food production and sale	6.2	$38.7	$94.8	$158.8

Public Safety	1.6	$9.1	$23.9	$40.4
Building cleaning and maintenance	4.3	$24.8	$65.5	$110.8
TOTAL	**26**	**$153.9**	**$398.9**	**$672.8**

The 25 percent hourly wage increase is taken from the federal government's cap on their worker's hazard pay. The workers with the lowest earnings included in the analysis are fast-food and counter workers whose median wage is $10.93 an hour. With a 25 percent hourly pay increase, those workers would see and additional $2.74 an hour. Given the economic hardship and widespread infection, however, this 25 percent increase may not be high enough, especially considering the incentives that the expanded unemployment system has created.

Table 2: 25 percent hourly wage increase

Hazard Pay Recipients	Workers (millions)	11 Weeks of Hazard Pay (billions)	29 Weeks of Hazard Pay (billions)
Health care	10.1	$28.40	$74.90
Transportation	3.8	$8.10	$21.50
Food production and sale	6.2	$8.70	$23.00
Public Safety	1.6	$4.70	$12.30
Building cleaning and maintenance	4.3	$6.50	$17.20
TOTAL	**26**	**$56.40**	**$148.90**

At 50 percent hourly wage replacement, the total cost numbers are closer to those under the flat-rate system, although the distribution of those funds would skew toward higher earners. Many of the current state and local proposals for hazard pay have the wage increase set at 50 percent. Under this version the lowest median wage earners would see an increase of $5.47 in hourly wage.

Table 3: 50 percent hourly wage increase

Hazard Pay Recipients	Workers (millions)	11 Weeks of Hazard Pay (billions)	29 Weeks of Hazard Pay (billions)
Health care	10.1	$56.80	$149.80
Transportation	3.8	$16.30	$43.00
Food production and sale	6.2	$ 17.40	$46.00
Public Safety	1.6	$9.30	$24.60
Building cleaning and maintenance	4.3	$13.00	$34.60
TOTAL	**26**	**$112.80**	**$298**

As these calculations of the three different iterations of hazard pay show, a flat-rate system allows low-wage workers to see the greatest increase in their earnings, in some cases more than doubling it. Part of the challenge is determining the correct amount of the wage increase. With individuals earning $600 more a week under the expanded unemployment-benefits system, the hazard pay amount needs to high enough to encourage labor-force attachment. A flat rate of an additional $13 in hourly wage or $520 a week (assuming a 40-hour workweek) could be sufficient.

Conclusion

A national hazard-pay system must be targeted to ensure funds are used effectively, but it should not be so narrow or complex as to keep needed funds from their intended recipients. It's likely that the hazard-pay program included in the Heroes Fund is one of many options that will be considered for an upcoming phase four coronavirus relief bill. Congress is scheduled to return from recess on April 20th to begin negotiations. The crucial conversations around hazard pay will be who should receive it, how long should it last, and at what rate.

[i] https://www.foxbusiness.com/money/trump-coronavirus-hazard-pay-health-care-workers

[ii] https://thehill.com/homenews/senate/491547-senate-democrats-propose-25000-hazard-pay-plan-for-essential-workers

[iii]

https://www.wcax.com/content/news/Vt-lawmakers-consider-giving-frontline-workers-hazard-pay-569286421.html

[iv] https://www.cleveland.com/open/2020/03/sen-sherrod-brown-wants-some-workers-to-get-hazard-pay-during-coronavirus-emergency.html

https://www.firehouse.com/safety-health/news/21132409/emergency-hazard-pay-proposed-for-ma-firefighters-affected-by-covid19

[v] https://www.wvgazettemail.com/coronavirus/kanawha-county-to-give-first-responders-hero-pay-will-foot-bill-for-employees-who-get/article_fcb7a198-8199-5bab-8211-f385cf011fed.html

https://www.al.com/news/2020/04/birmingham-approves-500000-hazard-pay-measure-amid-coronavirus-crisis.html

https://www.wjbf.com/csra-news/essential-worker-pay-raises-raise-budget-concerns/

[vi] https://www.msn.com/en-us/travel/news/some-maine-state-workers-get-a-boost-in-hazard-pay/ar-BB12dsz1

[vii] Hazard pay beginning March 23rd (national state of emergency declaration) and going to the end of May (lower bound) and the end of September (29 weeks)

[viii] Detailed occupations included: Ambulance drivers and attendants, Nurse practitioner

Pharmacists, medical and health services managers, licensed vocational nurses, health practitioner support technicians, health care support occupations, registered nurses, home health, and personal aides, emergency management directors.

[ix] Detailed occupations included: Subway and streetcar operators, railroad brake, signal, and switch operators, industrial truck and tractor operators, driver/sales workers and truck drivers

[x] Detailed occupations included: Food service managers, food preparation workers, supervisors of food preparation and serving workers, fast food and counter workers

[xi] Detailed occupations included: first line supervisors of firefighting and prevention workers, misc. protective services, firefighters, bailiffs, correctional officers, and jailers, police officers

[xii] Detailed occupations included: first line supervisors of building and grounds cleaning and maintenance, grounds maintenance workers, building cleaning workers.