

COVID-19 Crisis, the Social Safety Net and Who is Being Left Behind

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This lecture is based on a new paper I have written for a recent Brookings Institution Conference

The Social Safety Net in the Wake of COVID-19

Joint with Marianne Bitler, UC Davis and
Diane Schanzenbach, Northwestern

Thanks to Raheem Chaudhry (GSPP Phd 2nd year) for
expert assistance!



PAST EVENT

2020
JUN
25

Webinar – Special edition BPEA 2020: COVID-19 and the economy

US poverty fell in April and May due to federal relief programs, even as COVID-19 ravaged the economy, new study suggests

Posted May 4, 2020 at 10:29 pm by [Josh Bivens](#) and [Heidi Shierholz](#)

The extra \$600 in unemployment insurance has been the best response yet to the economic shock of the coronavirus and should be extended



Vast Federal Aid Has Capped Rise in Poverty, Studies Find

INSIGHTS / FACT • JUN 23, 2020

Income and Poverty in the COVID-19 Pandemic



Jeehoon Han, Bruce Meyer, James X. Sullivan

Government policy effectively lowered income poverty shortly after the start of the COVID-19 pandemic in the US, with poverty rates falling 2.3 percentage points between January/February and April/May

Goal of our paper:

Assess how the safety net and the relief bills are responding to COVID-19 crisis. Where are the holes? Who is being left behind? Why?

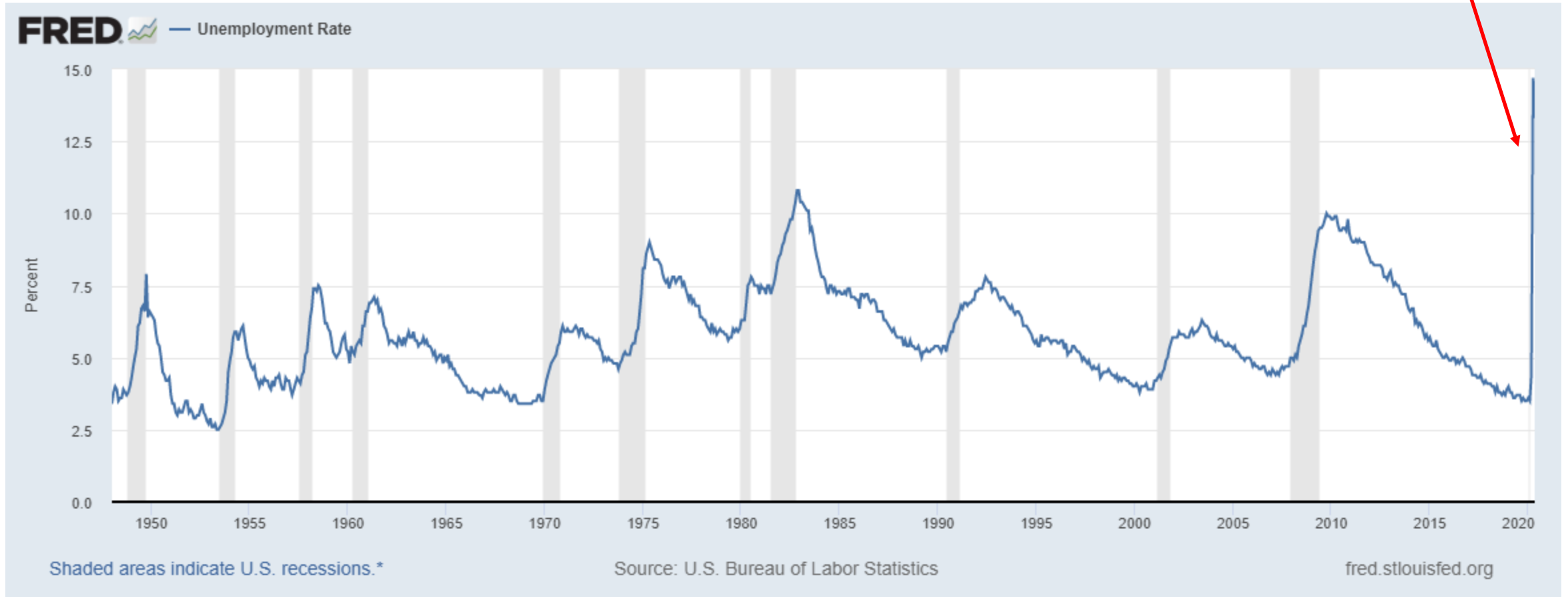
Caveat/Disclaimer: The paper makes use of real time data but not recent enough to make conclusions about how folks are doing since the UI provisions in the CARES Act expired on 7/31/20

Outline

1. Labor market effects of COVID Crisis
2. Summary of Policy Response
3. Real time data – how are households doing?
4. Why is there such distress with the policy response?
5. Going forward

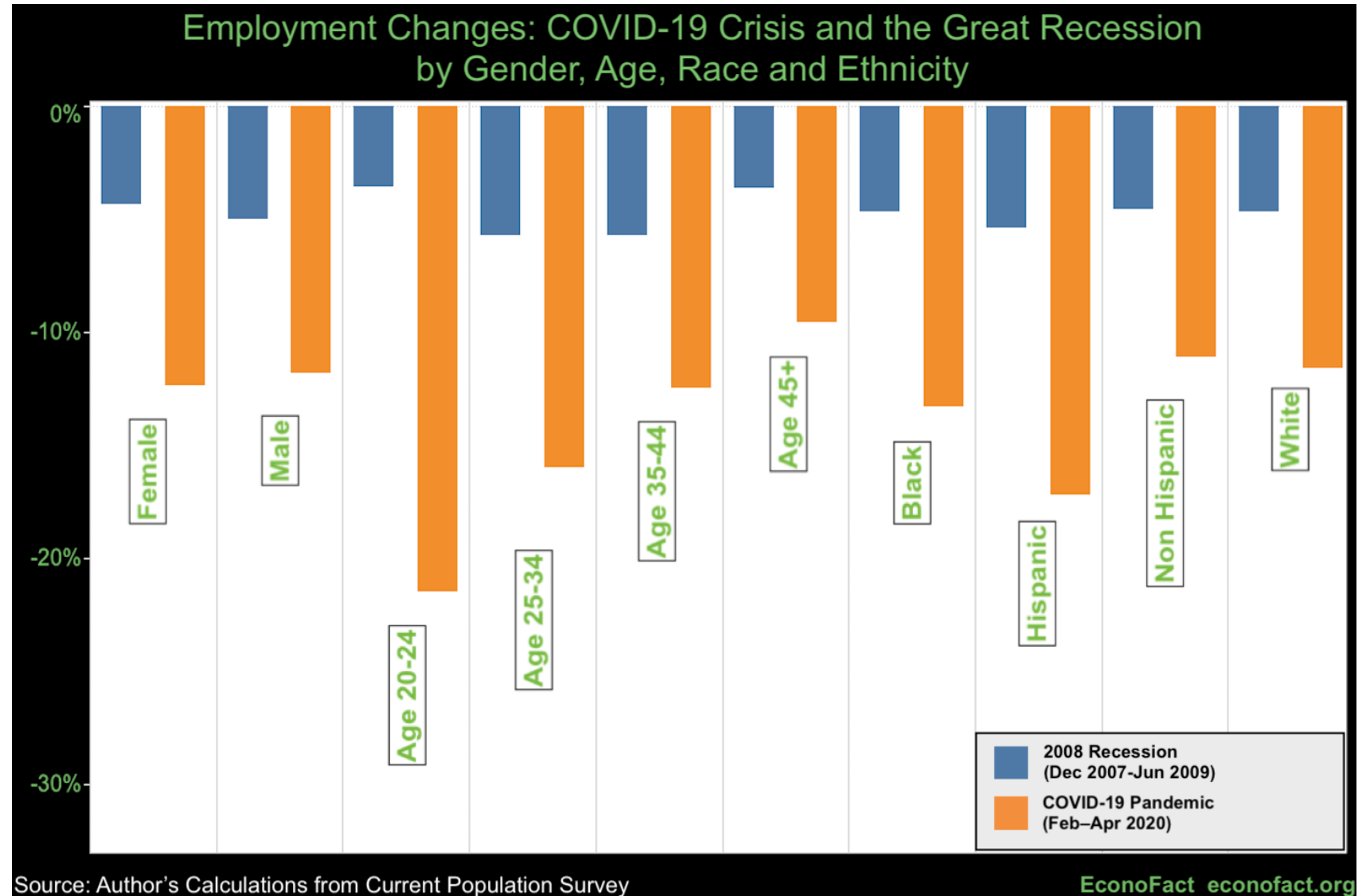
Part 1
Labor Market Impacts –
COVID Crisis

We have never seen anything like this before



Monthly Unemployment Rate for the U.S.

Not everyone
is affected
equally

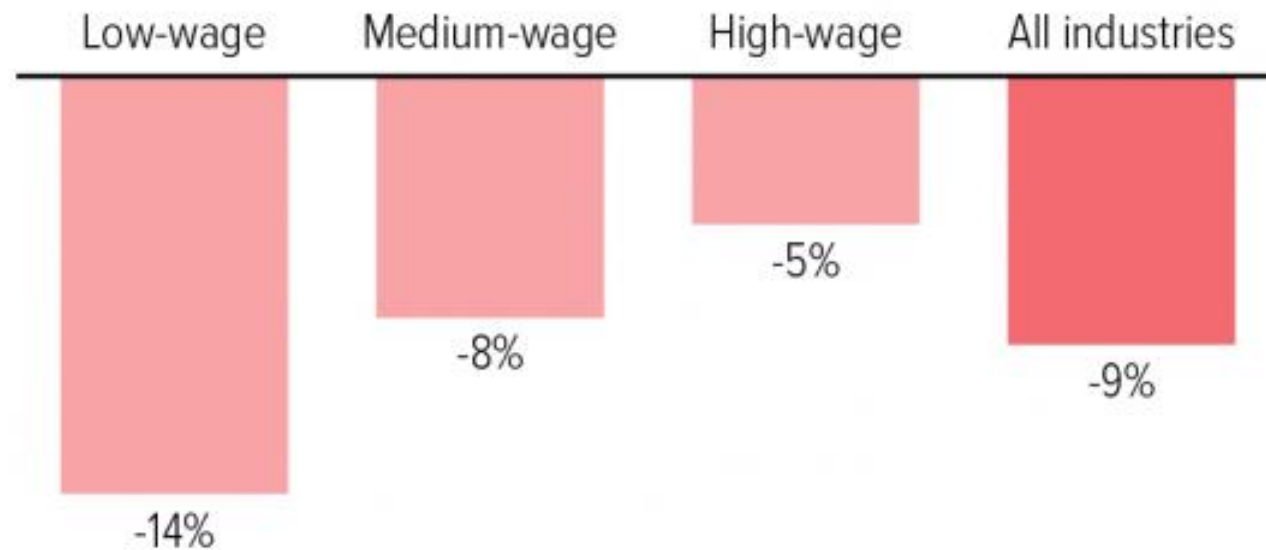


Source: Montenovo et al. (2020) *Econofact*.

Not everyone
is affected
equally

Job Losses Largest in Industries That Pay Low Wages

Percent change in jobs, February-July 2020



Source: CBPP calculations of Bureau of Labor Statistics data

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Source: Center for Budget for Policy Priorities (2020).

Part 2

Policy Response to – COVID Crisis

Note: With a focus on the effects on the social safety net and direct payments to family transfers

Policy Response to COVID Crisis – CARES ACT

Unemployment insurance (UI):

- Regular UI - \$600 weekly top-up
- Expanded eligibility under PUA: Self-employed / gig economy workers, and those with insufficient work history

Emergency Impact Payment (EIP)

- \$1200 per adult + \$500 / child, one time only
- phased out starting at \$75K for singles, \$150K for marrieds
- not universal however (will return to this later – young adults, families that included unauthorized)

Policy Response to COVID Crisis – Families

First Coronavirus Act

SNAP / CalFresh

- Increase SNAP benefits to maximum benefit for the 60% not receiving maximum benefits; worth on average \$160/month
- Waive in person interviews and extend recertification period

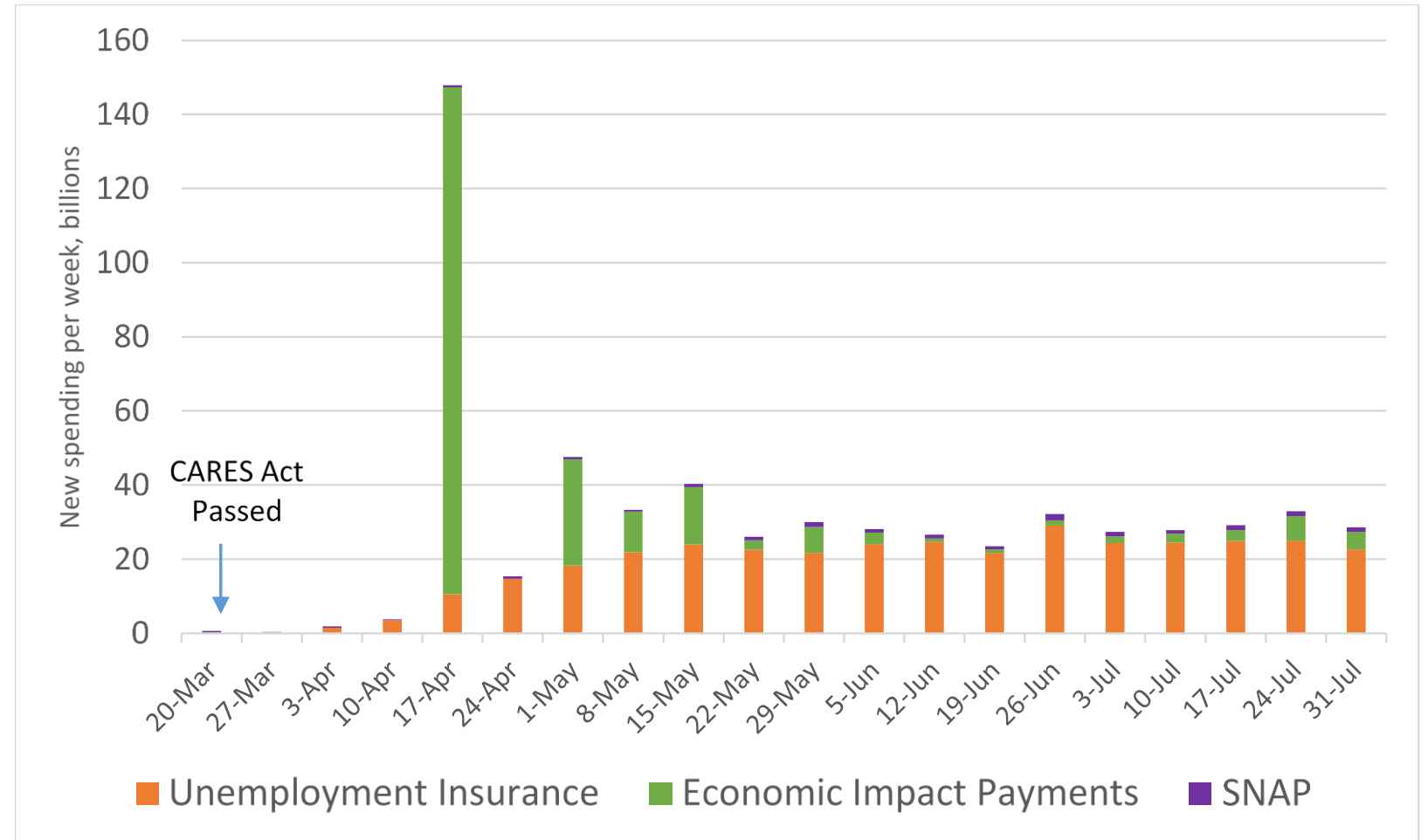
Pandemic-EBT

- Convert value of lost school meals to direct payment to families, worth about \$120/month/child
- Context: 30 million students lost daily access to free or reduced price school meals when schools closed

These provisions led to \$600B in direct payments through July 31

- EIP payments (36%)
- UI expansions (61%)
- SNAP / P-EBT (3%)

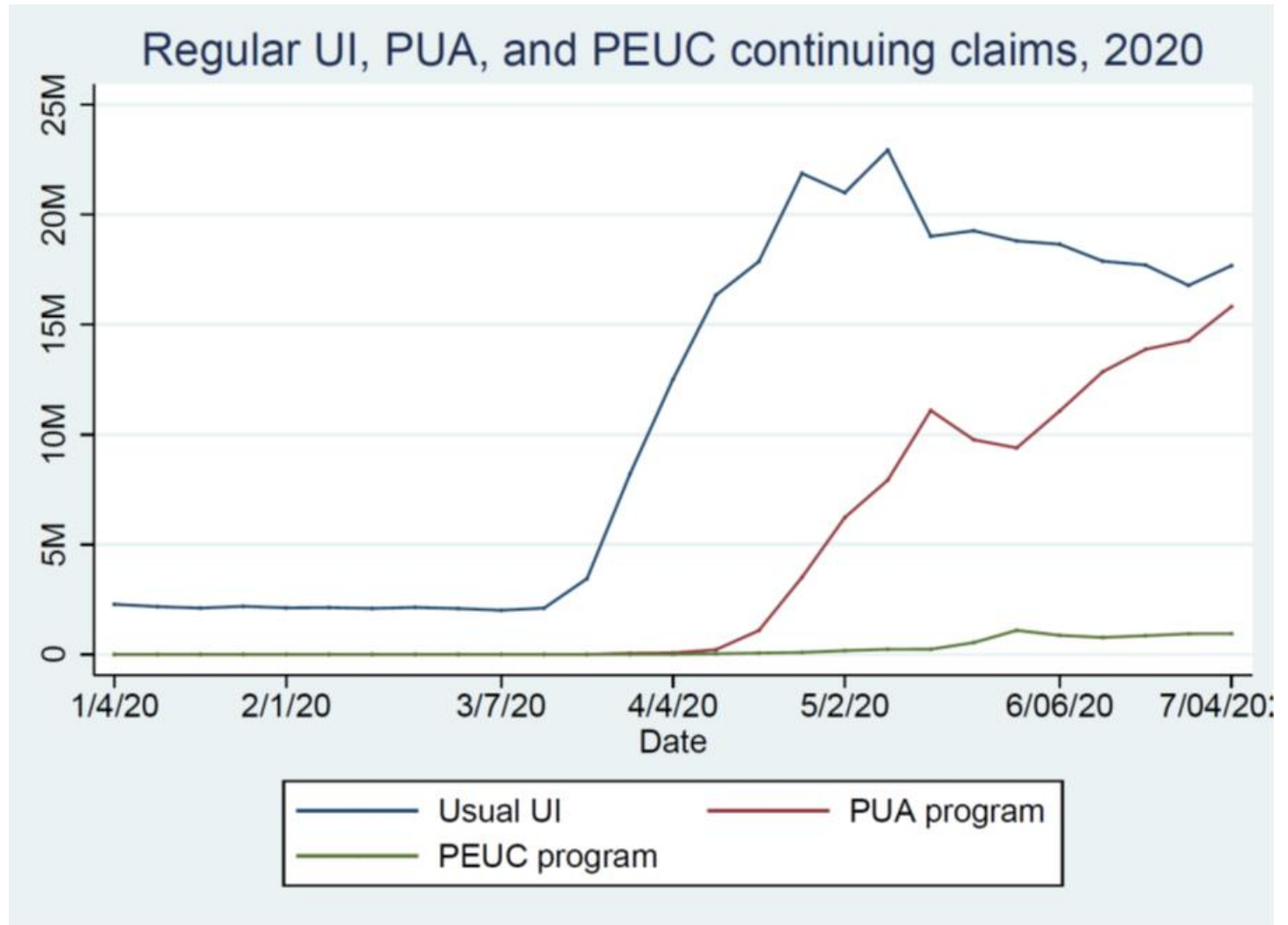
Figure 4. Weekly Spending on Unemployment Insurance, Economic Impact Payments, and SNAP by Week (Billions of 2020\$)



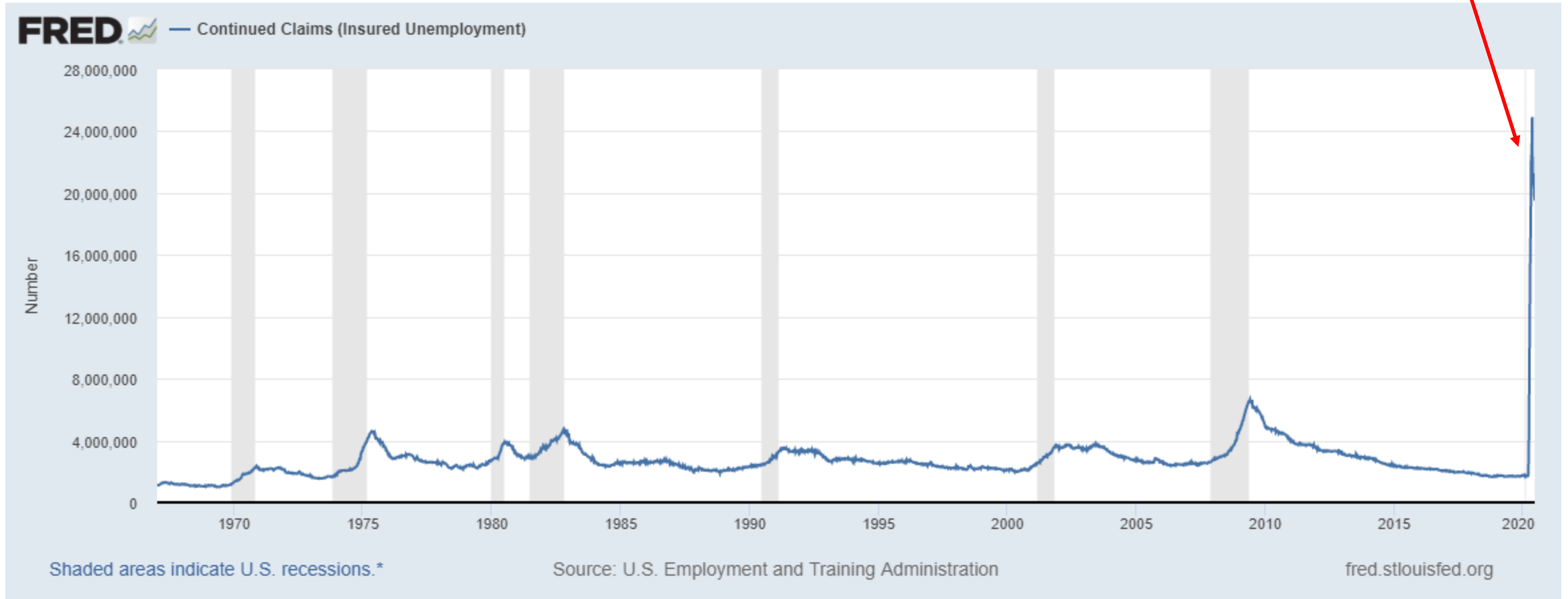
Notes: Authors' tabulations of Daily Treasury Statements through July 31 for SNAP, Unemployment Insurance Benefits, and IRS Tax Refunds to Individuals. We difference expenditures from the inflation-adjusted same-week payments in 2019 to net out the seasonality in payments and to separate Economic Impact Payments from usual tax refunds. We censor Economic Impact Payments at zero prior to the week of April 17.

30M continuing claims for unemployment

Appendix Figure 5. Continuing UI Claims, by Source



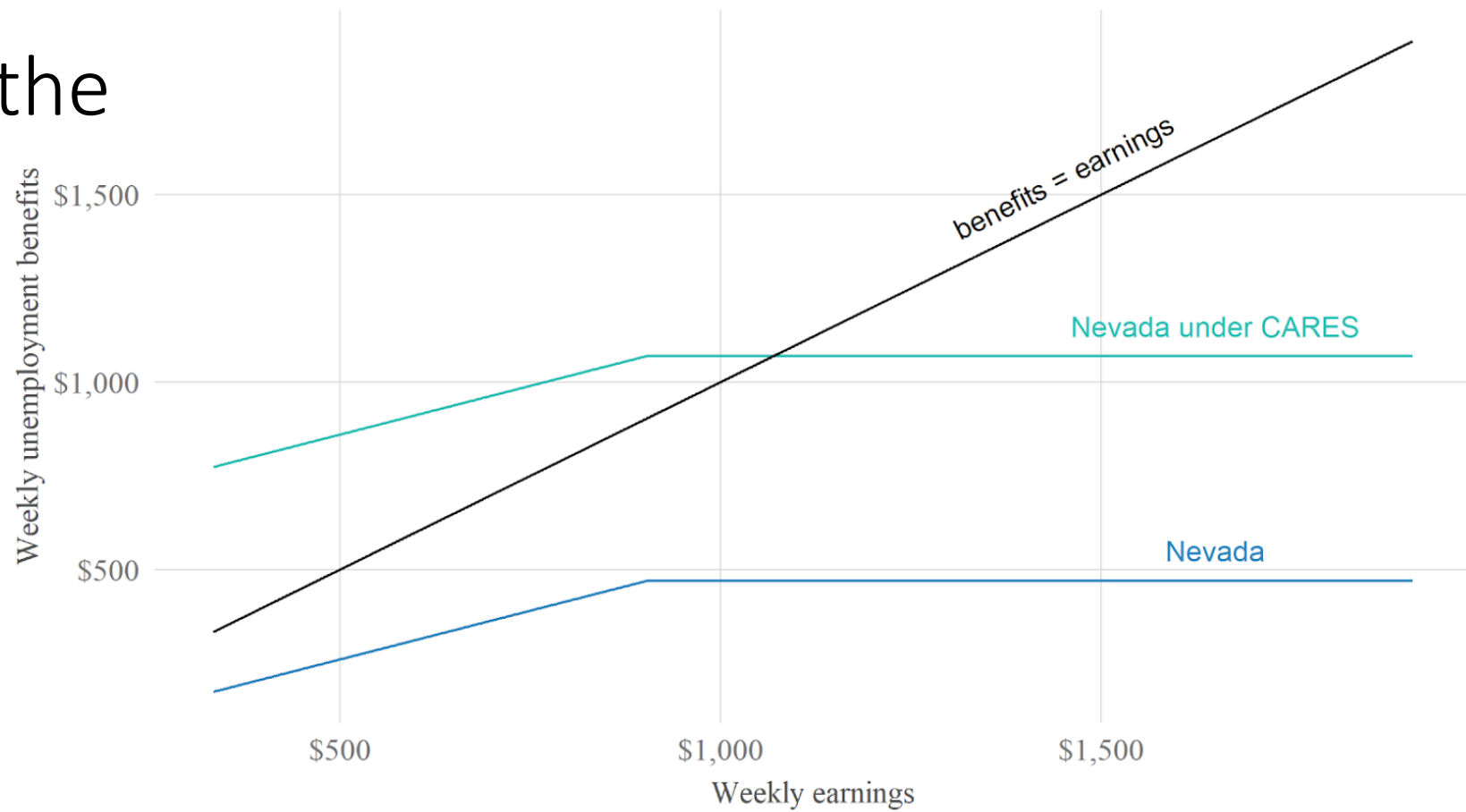
We have never seen anything like this before



Number of people receiving unemployment insurance, by week

Figure 2 -- Unemployment Benefits versus Earnings

Illustrating the importance of the \$600 top-up



The \$600 weekly top-up is LARGE relative to earnings and usual benefits:

Federal minimum wage worker
Weekly earnings = 40 hours X \$7.25 = \$290

Notes: This figure shows unemployment benefits for various values of weekly earnings in Nevada both in normal times and under the CARES Act, which adds a \$600 supplement to weekly benefits. We choose Nevada because it has UI benefit levels in the middle of the national distribution.

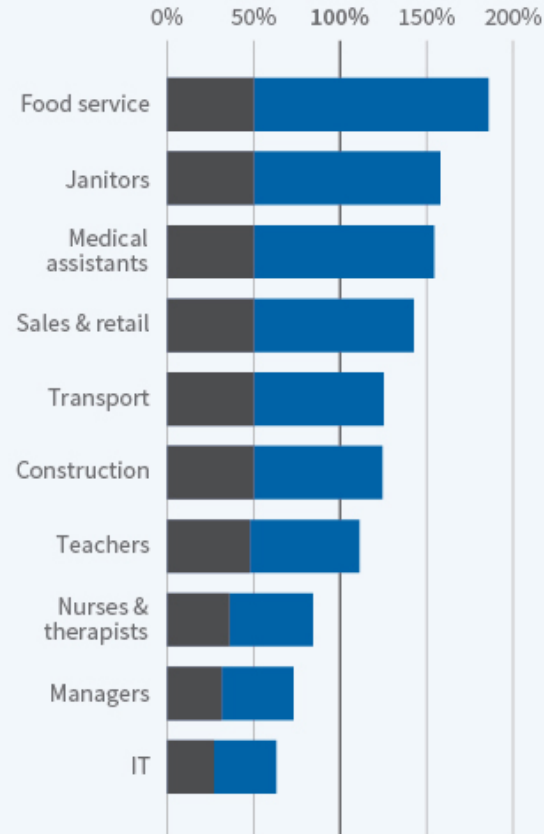
Source: Ganong et al. 2020

National estimates of average replacement rates show large increase due to extra \$600, particularly for low wage occupations

Unemployment Insurance Income Replacement Rates

Replacement rate at median earnings

■ Without CARES Act ■ Under CARES Act



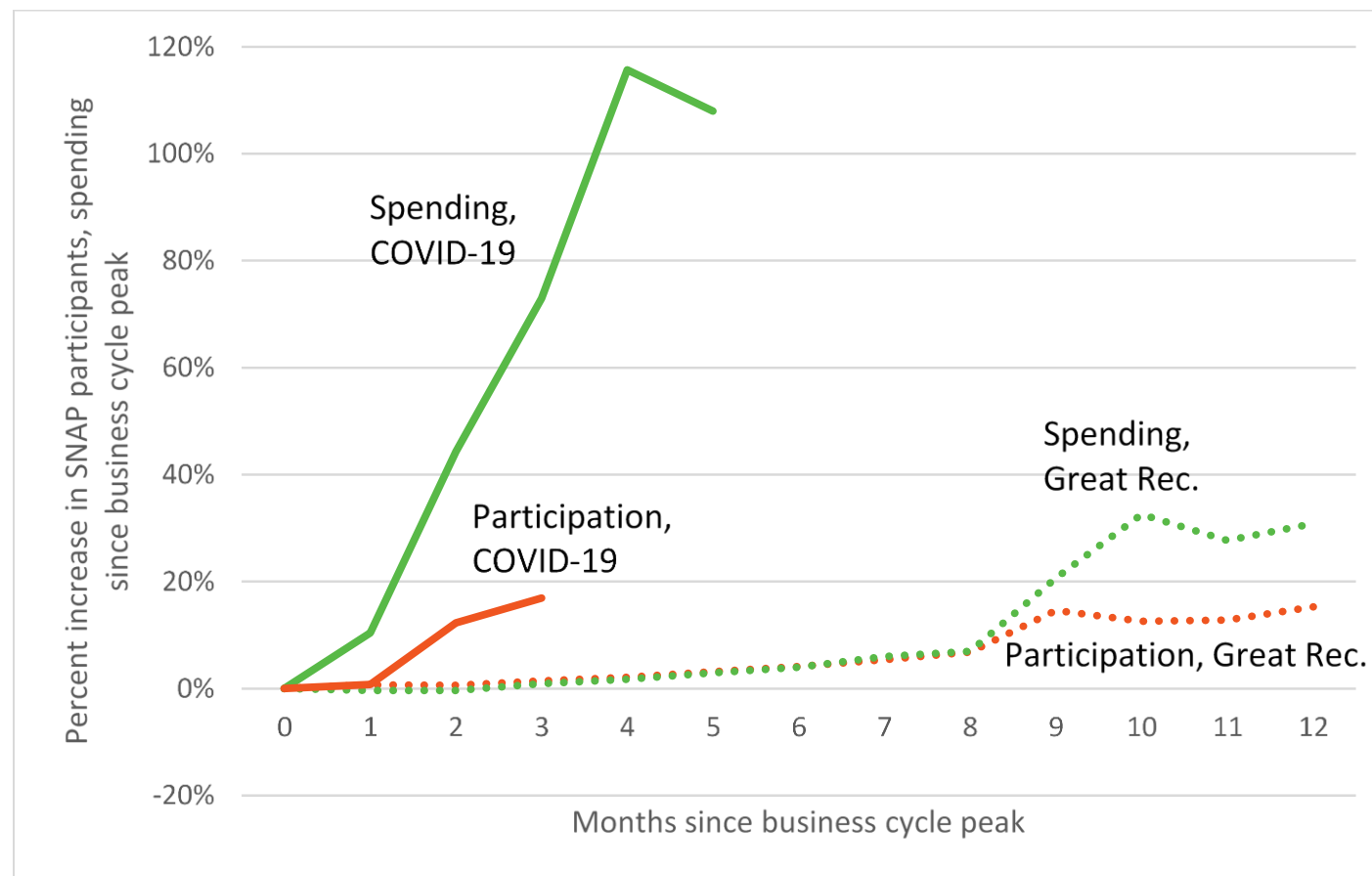
Source: Researchers' calculations by occupation using data from the Current Population Survey Annual Social and Economic Supplement

Source: Ganong et al 2020.

Strong SNAP response

- Automatic stabilizer, uncapped entitlement, can respond quickly
- Benefits raised to maximum for those not at maximum already
- No additional benefits to those already at maximum (lowest income)
- + administrative flexibility

Figure 3. Percentage Increase in SNAP Participation and Spending Since Business Cycle Peak: COVID-19 vs. Great Recession



Part 3

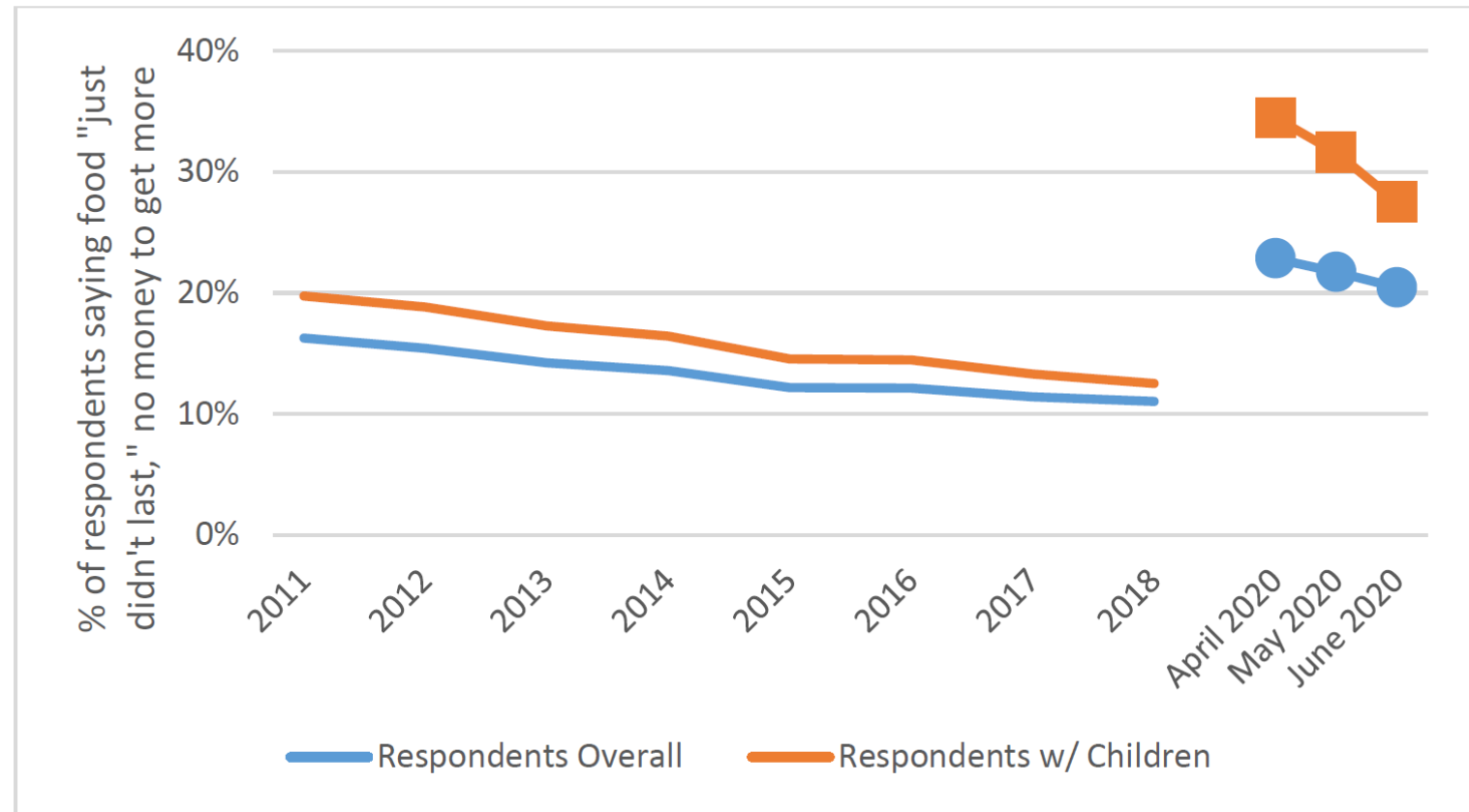
Real time data on family
hardship

Food insecurity has spiked, larger for children

Food insecurity: survey measure assessing whether households have enough \$ for adequate food consumption

Survey instrument: *Over the past 30 days it was sometimes or often the case that their “food just didn’t last” and “they didn’t have money to get more”*

Figure 1. Food Insecurity Rates, 2011-2018 and During COVID-19



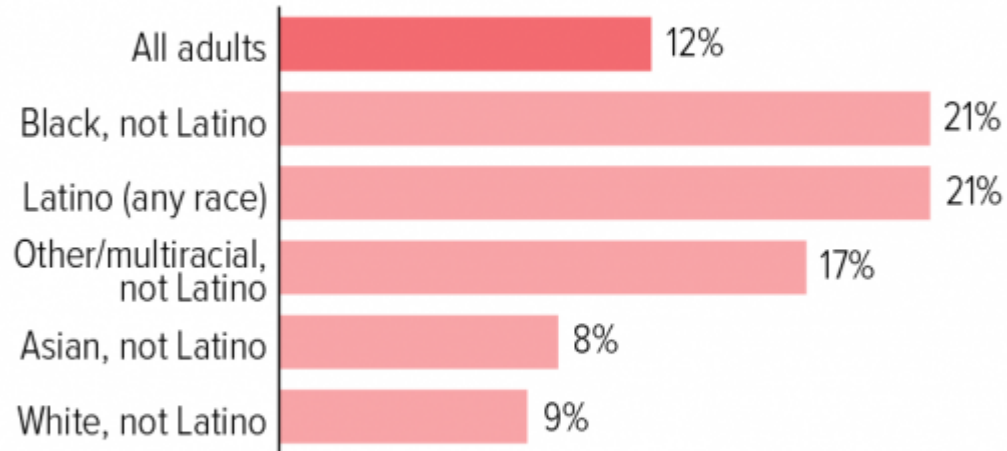
NHIS data through 2018 compared to COVID Impact Survey (also shown in Census Pulse Survey)

FI related to unemployment rate – more than half the rise in the FI rate can be explained by historical relationship between FI and unemployment rate

Larger rates of food insecurity among blacks and latinx

Black and Latino Households Likelier to Experience Food Insecurity During Pandemic

Share of adults saying that their household sometimes or often did not have enough to eat in the last 7 days, as of week ending July 21



Note: Other/multiracial, not Latino = people identifying as American Indian, Alaska Native, Native Hawaiian or Pacific Islander, or more than one race. Percentages are based on reporting distributions and do not include the populations that did not respond to the question.

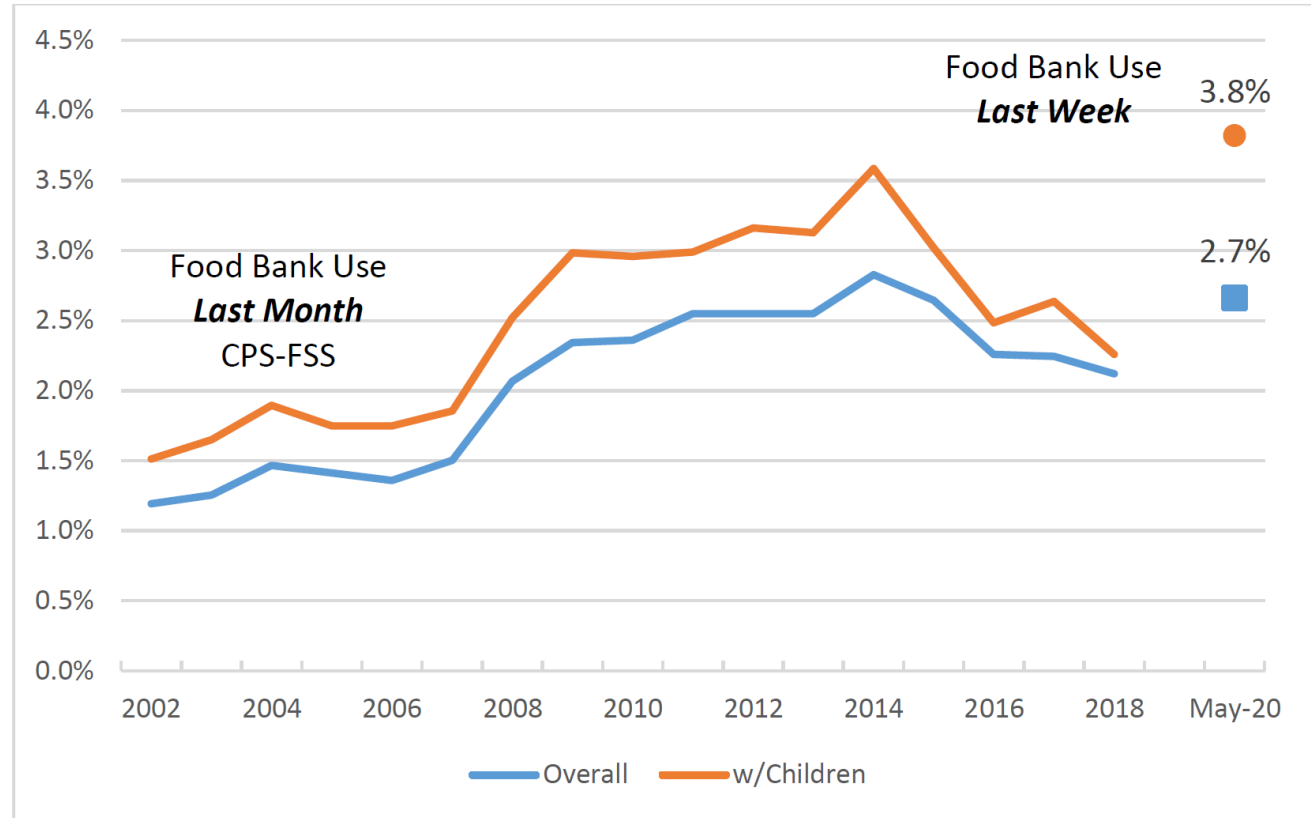
Source: CBPP analysis of Census Bureau Household Pulse Survey

Food bank / food pantry use has spiked, more for children

Historical data from CPS (LAST MONTH) compared to Census Pulse Survey (LAST WEEK)

As with food insecurity, larger increases for families with children

Figure 2. Received Food from a Food Bank/Pantry or Church, All Households and Households with Children



Part 4

Why so much distress given
the BIG policy change?

Why do we see so much need despite so much spending?

- Payments **delayed**
- Despite expansions, **not full access** to UI
- **Not inclusive** policy; groups left behind
- Outside of UI, **magnitude** of benefit increases are modest

A. Timing of Payments Delayed

- New programs take time to roll out
- States burdened with huge increase in demand
- State administrative infrastructure not ready for the job
- Many states defunded in the wake of Great Recession

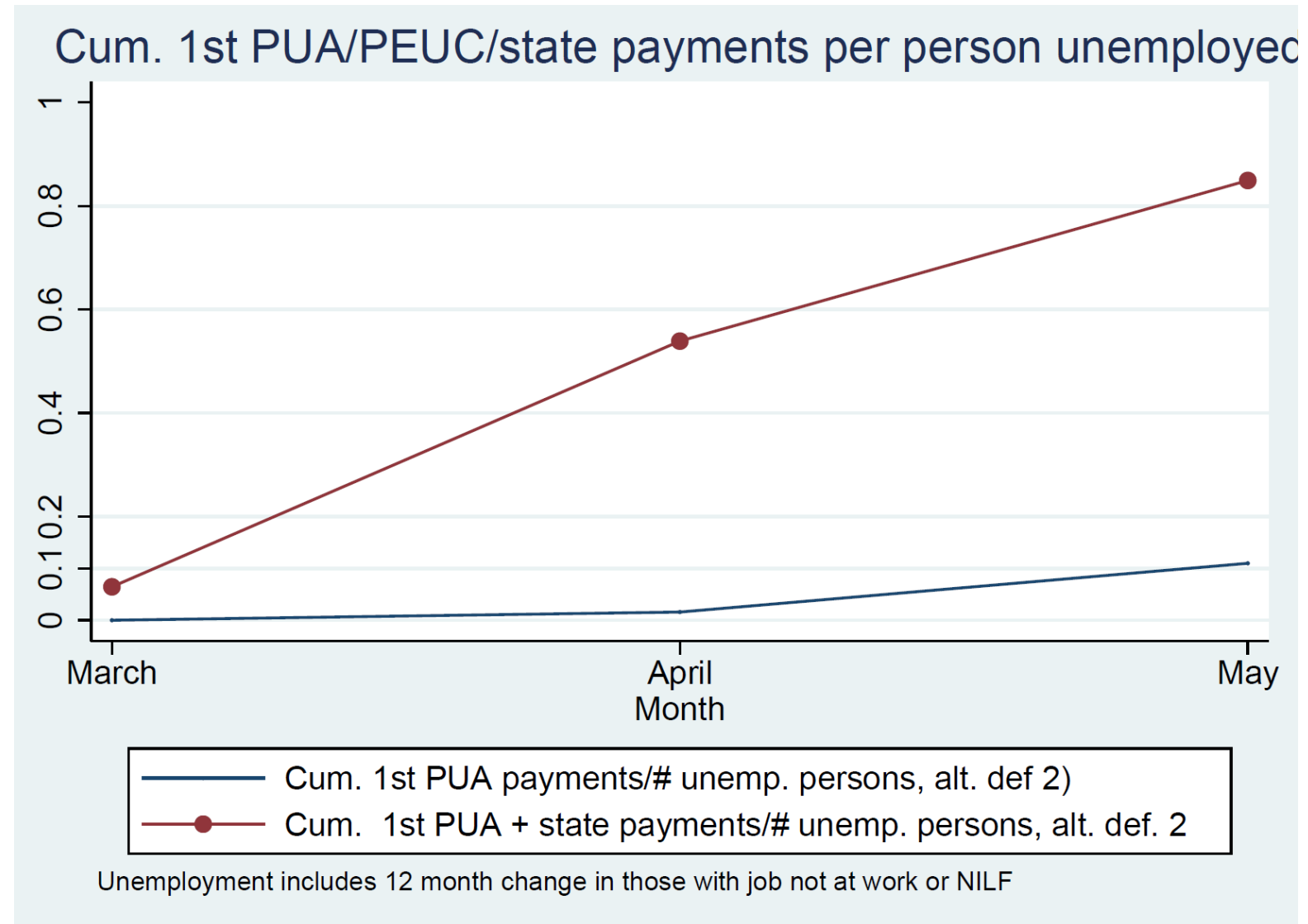
Delay – UI

UI slow to get payments out

Delays are disastrous for the many without savings

Also note: not all unemployed are getting UI, even 2 months after Cares Act

Figure 6: Count of those receiving UI / Count of Unemployed



State Administration of PUA particularly problematic

- CARES Act passed March 27
- Large variation in when states started paying out benefits:
 - New Hampshire - end of March
 - California - April 30
 - West Virginia - May 11
 - Kansas - May 26
- Some states require PUA applicants to apply to and be rejected from regular UI before they could apply for PUA

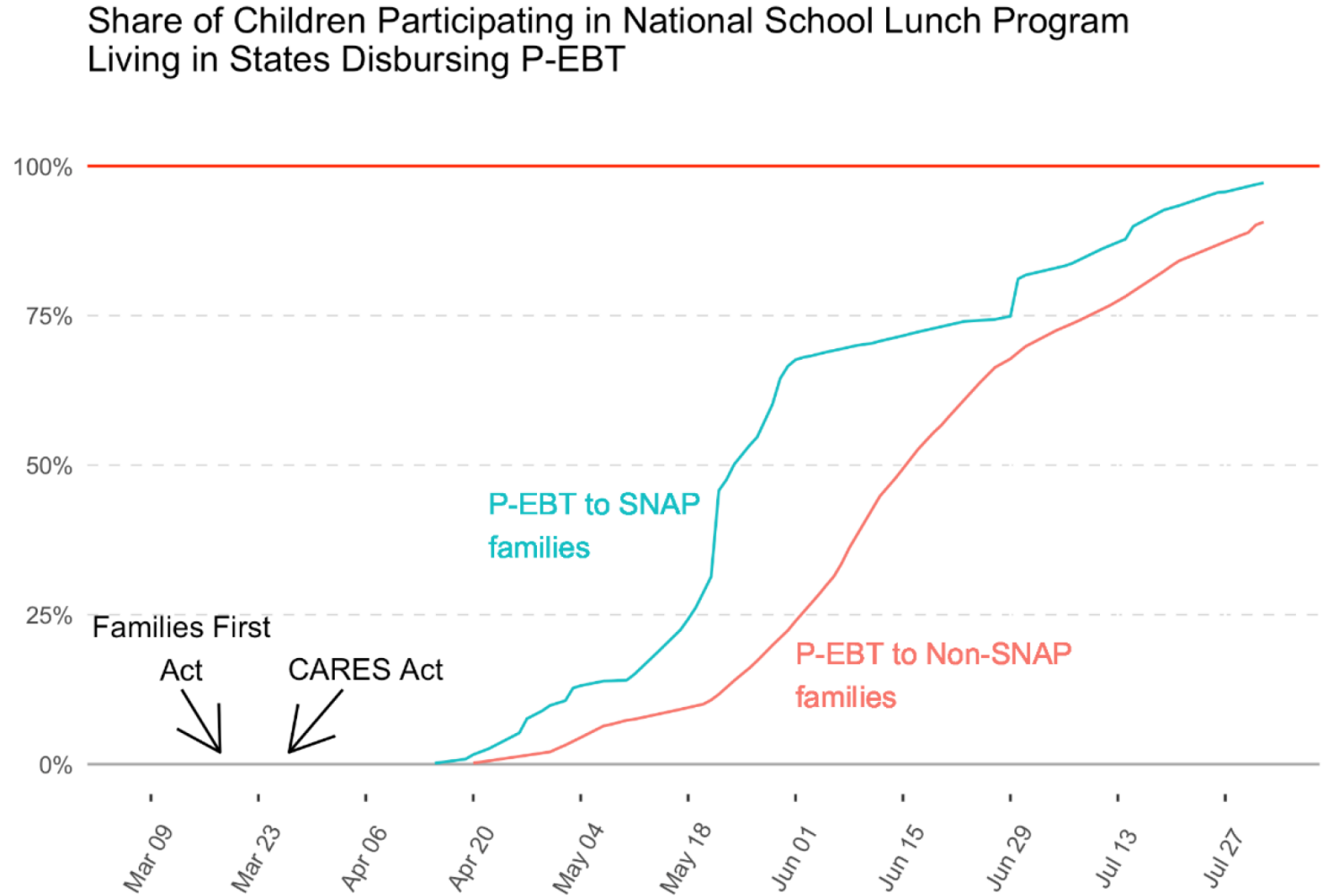
Delay - Economic Impact Payments

- \$1,200/ adult + \$500/ child (Cares Act March 27)
 - Automatic payment if tax filer in 2018, 2019; or social security or VA benefit recipient
 - April 17 – direct deposit to filers (if you provided bank details)
 - April 24 – paper checks start to be sent out
- } **Automatic Payments**
- 12 million individuals eligible but they have to APPLY through a new IRS PORTAL (Marr et al 2020) – and these are the most disadvantaged groups!
 - Urban Institute Coronavirus Tracking Survey shows 59% of those below poverty had received an EIP compared to 78% of eligible over poverty (Survey done 5/14-5/27)
 - Illustrates powerful roll of implementation and administrative hurdles

Delay – P-EBT

Rollout of P-EBT was slow

Figure 5. Timing of Pandemic Assistance Payments for P-EBT



B. Despite expansions, not full access to UI

- Eligibility for UI requires:
 - Involuntary separation
 - Sufficient work history (weeks in quarter, amount earned)
 - Wage and salary earnings in covered work
 - Documented worker (more on this later)
- } CARES Act expanded
- IF you get UI, then with the CARES Act (\$600/week top-up) your protection should be quite good
 - BUT ... not everyone is getting UI

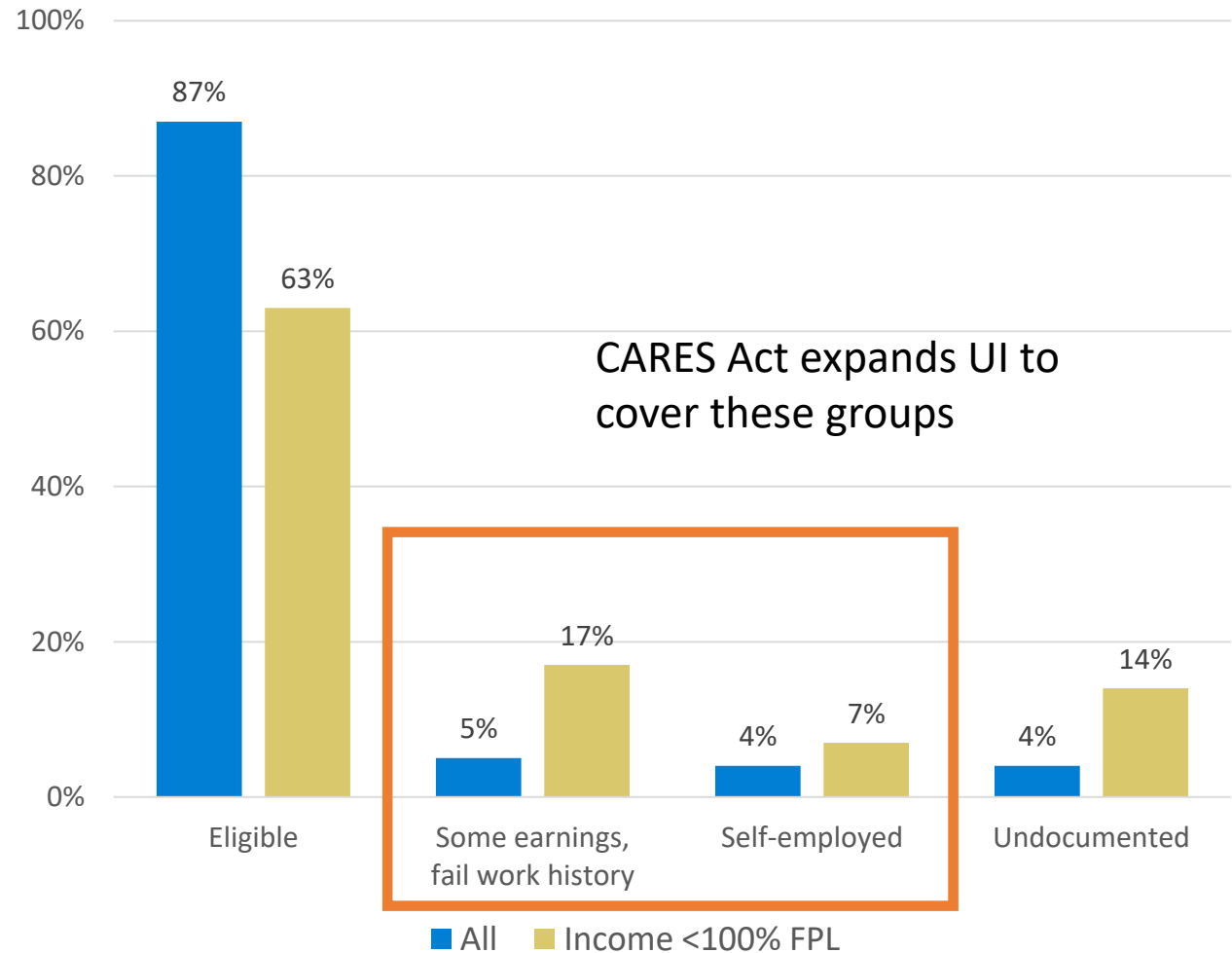
ELIGIBILITY for UI (pre-CARES Act)

Not all workers are eligible

Disparities in eligibility: lower for those with income below poverty

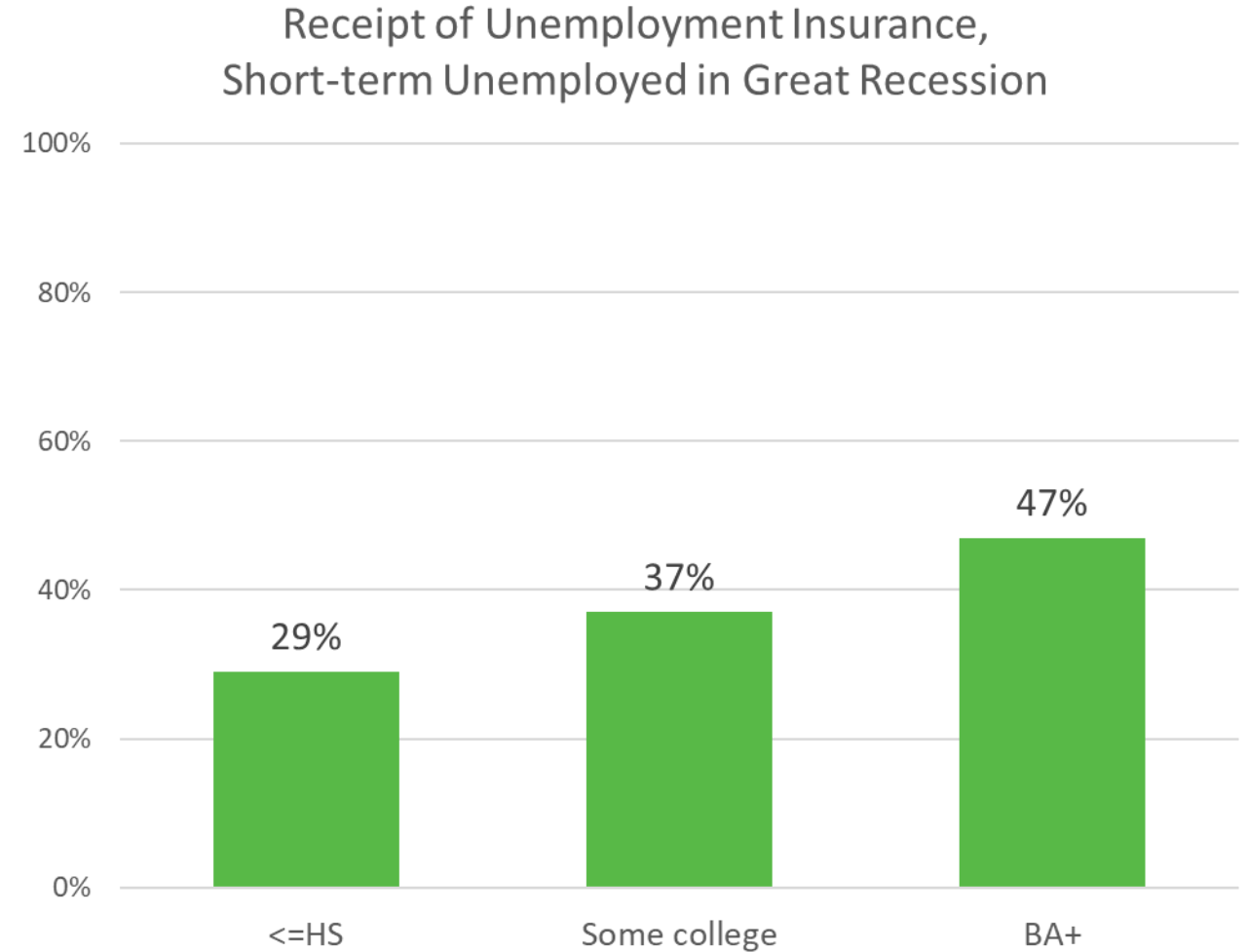
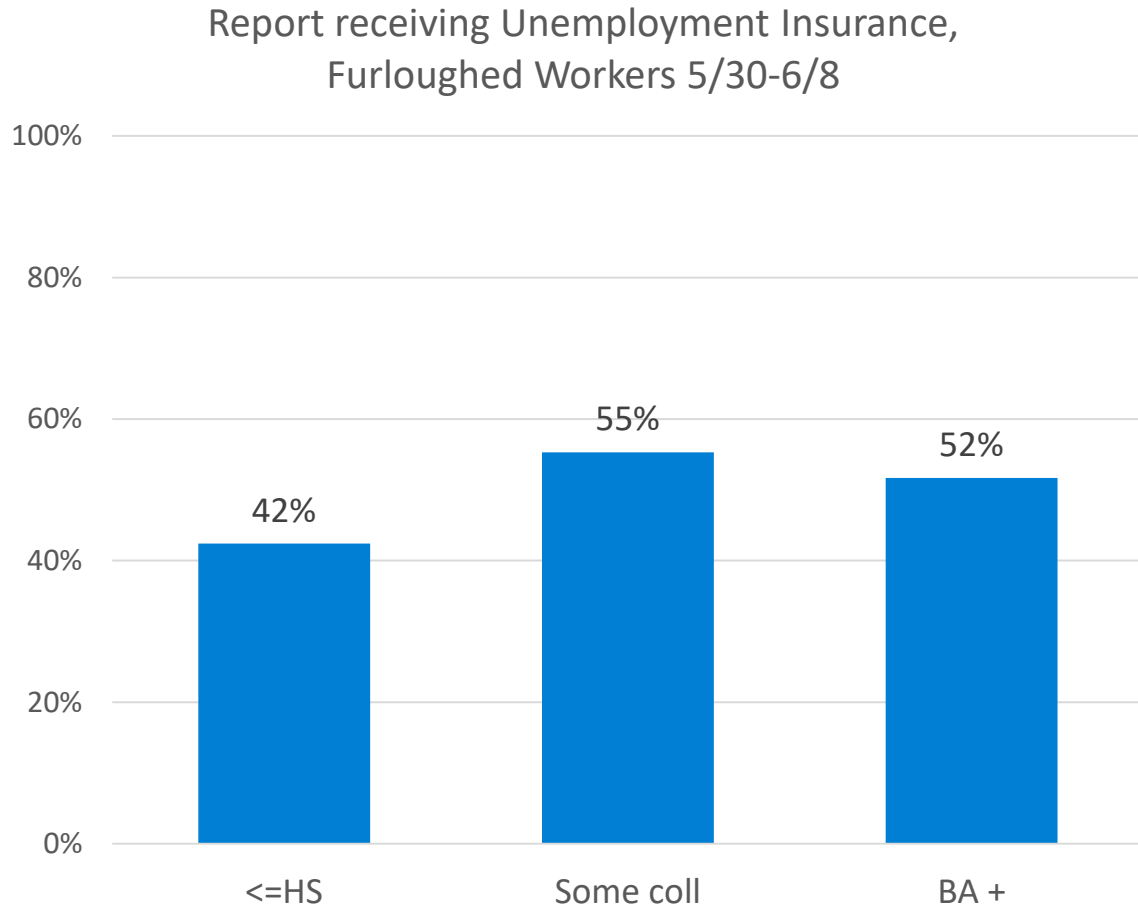
Sources of ineligibility

- Self-employed
- Fail work history
- Not authorized (excluded from UI eligibility)



Source: Authors' calculations using Ganong et al. (2020) UI calculator and 2019 CPS-ASEC.

Disparities in RECEIPT of UI, in COVID and prior recessions



UI receipt of furloughed workers in COVID Impact Survey
UI “received in past 7 days”

UI receipt among short-term unemployed at trough of Great Recession from SIPP (2010:Q1)

- Why disparities in access to UI?
 - Administrative burdens?
 - Digital divide
 - Differences across states in how they serve the population

C. Not an inclusive policy, some groups statutorily ineligible

- UI excluded unauthorized workers
- Economic Impact Payment (\$1,200/adult & \$500/child)
 - Excludes ALL households where ANYONE is an ITIN filer (lacks social security number)
 - Excludes young adults – who could neither be claimed on their parents' return nor able to file on their own

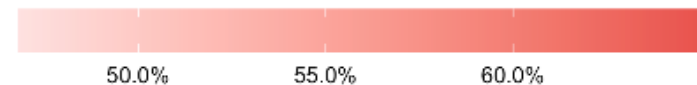
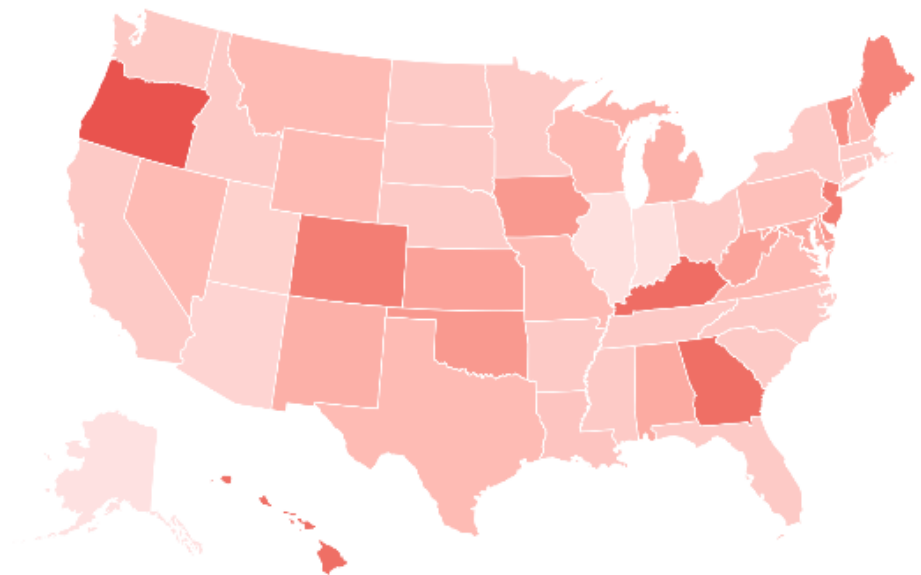
Part 5

Policies going forward

Broader Point: Safety net currently not designed for economic downturns

- Shift over 25 years to work-based safety net
 - Boosts low earnings (EITC)
 - Little out-of-work payments (TANF)
 - These provide no insurance against job loss
- UI coverage rates, insurance value low, differs across states

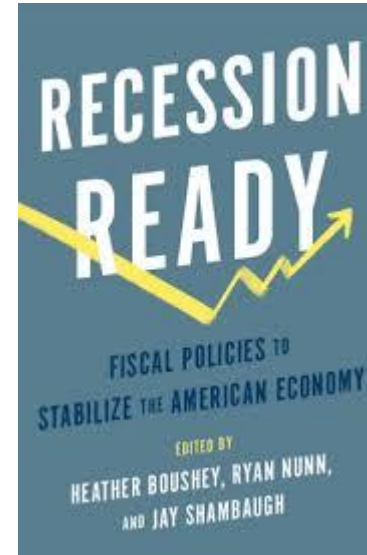
Replacement Ratio Among Eligible Workers, by State
Below 200% SPM poverty line



Analysis of 2018 March CPS; Ganong et al (2020) UI Calculato

How to improve the system

- **Automatic stabilizers** – UI and SNAP should automatically expand when labor market goes into crisis and remain in place until labor markets improve
- Administrative burdens – EIP should have been extended to all eligible (not just filers); **build data infrastructure** (federal & state) to make this possible



How to improve the system (cont)

- Invest in state UI Infrastructure – use successful approach from vital statistics?
- Address state defunding of UI – declines in weekly maximum benefits, weeks of benefits
- Make policies inclusive
- Consider targeting – large cost of EIP, much of the funds going to households who are not as disrupted as others
- Rebuild out of work benefits in UI – conditionality has been growing – a safety net based on work does not provide insurance against job loss