

Income Support in the U.S. Existing Programs and COVID-19 Response

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Hilary Hoynes

Professor of Economics and Public Policy

Haas Distinguished Chair of Economic Disparities

University of California, Berkeley

Plan for my comments

1. Overview of the cash and near cash social safety net for low income Americans
2. Income support response to COVID-19
3. Long run effects of income support programs on children

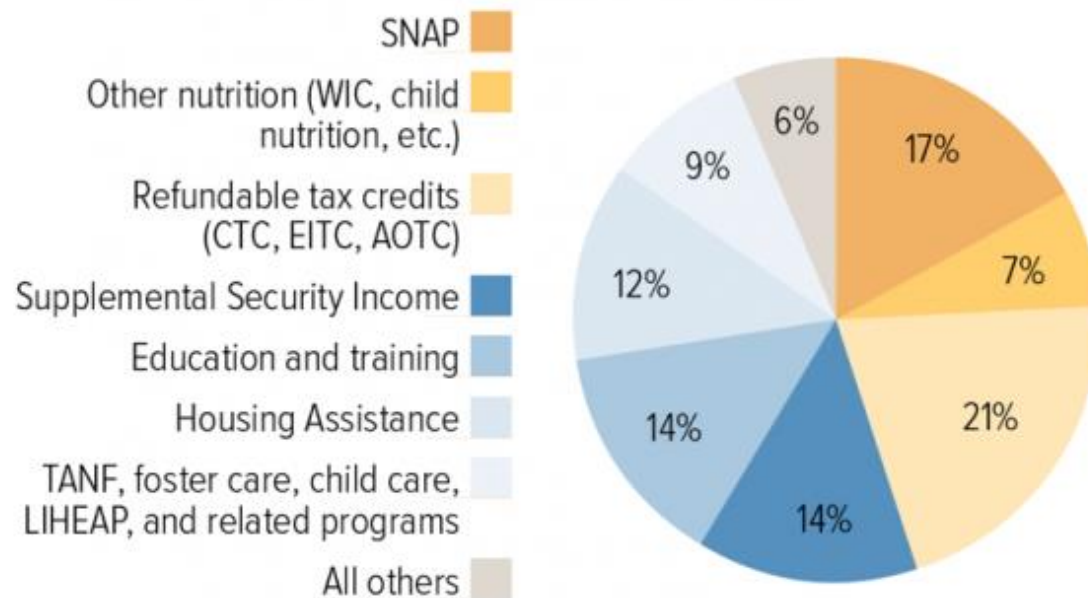
(1) The US Social Safety Net – and the growing role of conditionality

Primer on income support in the U.S.

- *Not universal* – targeted at elderly, disabled and families with children (prime age adults without children, undocumented immigrants left out)
- *Little in cash* – tax credits, food and nutrition programs
- *Heavy use of conditionality* – increasingly linked to work
- *Funding levels not high* – compared to other countries

Composition of spending

Expenditures in 2018 for Low-Income Programs Other Than Health Programs



SNAP = Supplemental Nutrition Assistance Program
WIC = Special Supplemental Nutrition Program for Women, Infants, and Children
CTC = Child Tax Credit
EITC = Earned Income Tax Credit
AOTC = American Opportunity Tax Credit
TANF = Temporary Assistance for Needy Families
LIHEAP = Low Income Home Energy Assistance Program
Source: Congressional Budget Office data

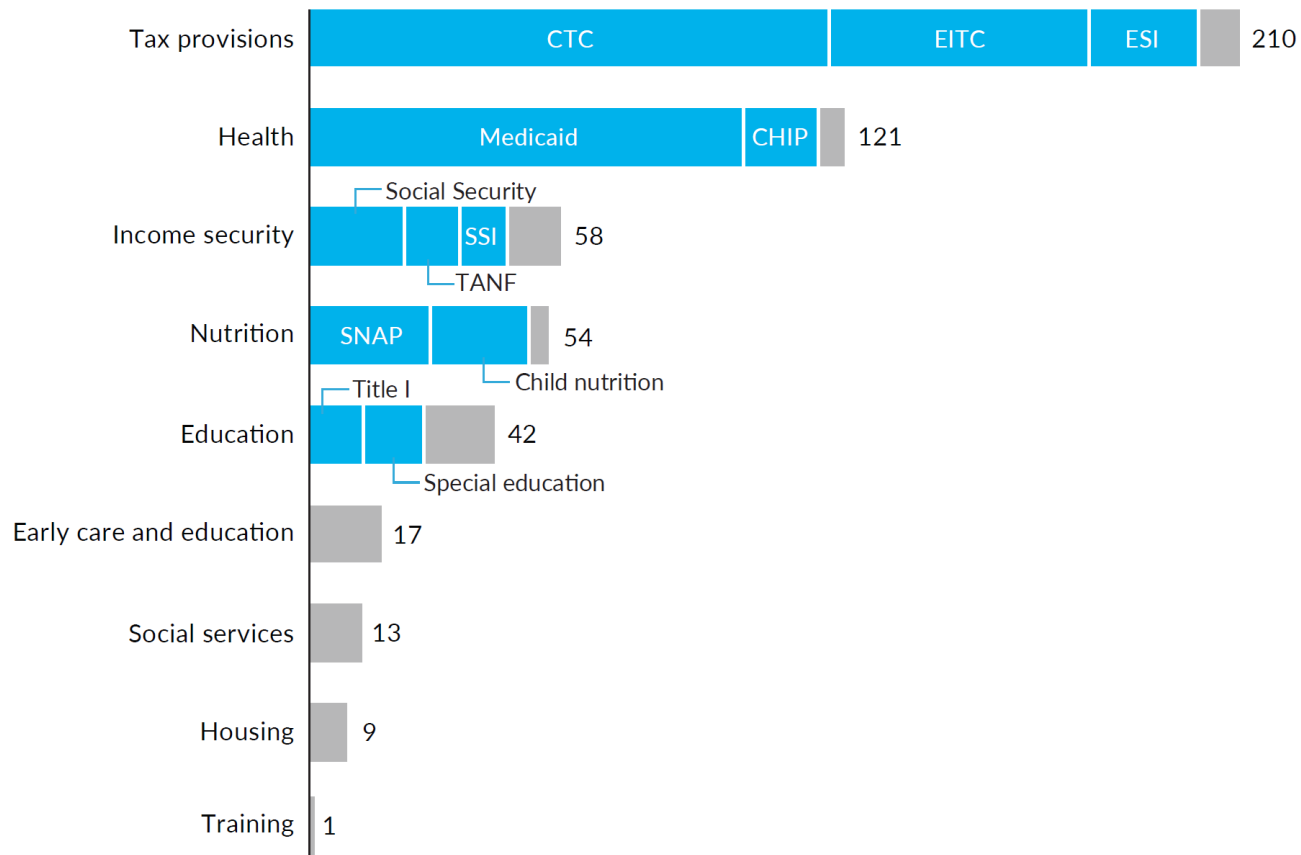
Level of spending - Children

FIGURE 2

Federal Expenditures on Children by Category and Major Programs, 2019

Billions of 2019 dollars

■ Individual program ■ Other



Source: Hahn et al *Kid's Share: Report on Federal Expenditures on Children*, Urban Institute (July 2020).

Anti-poverty effects - Children

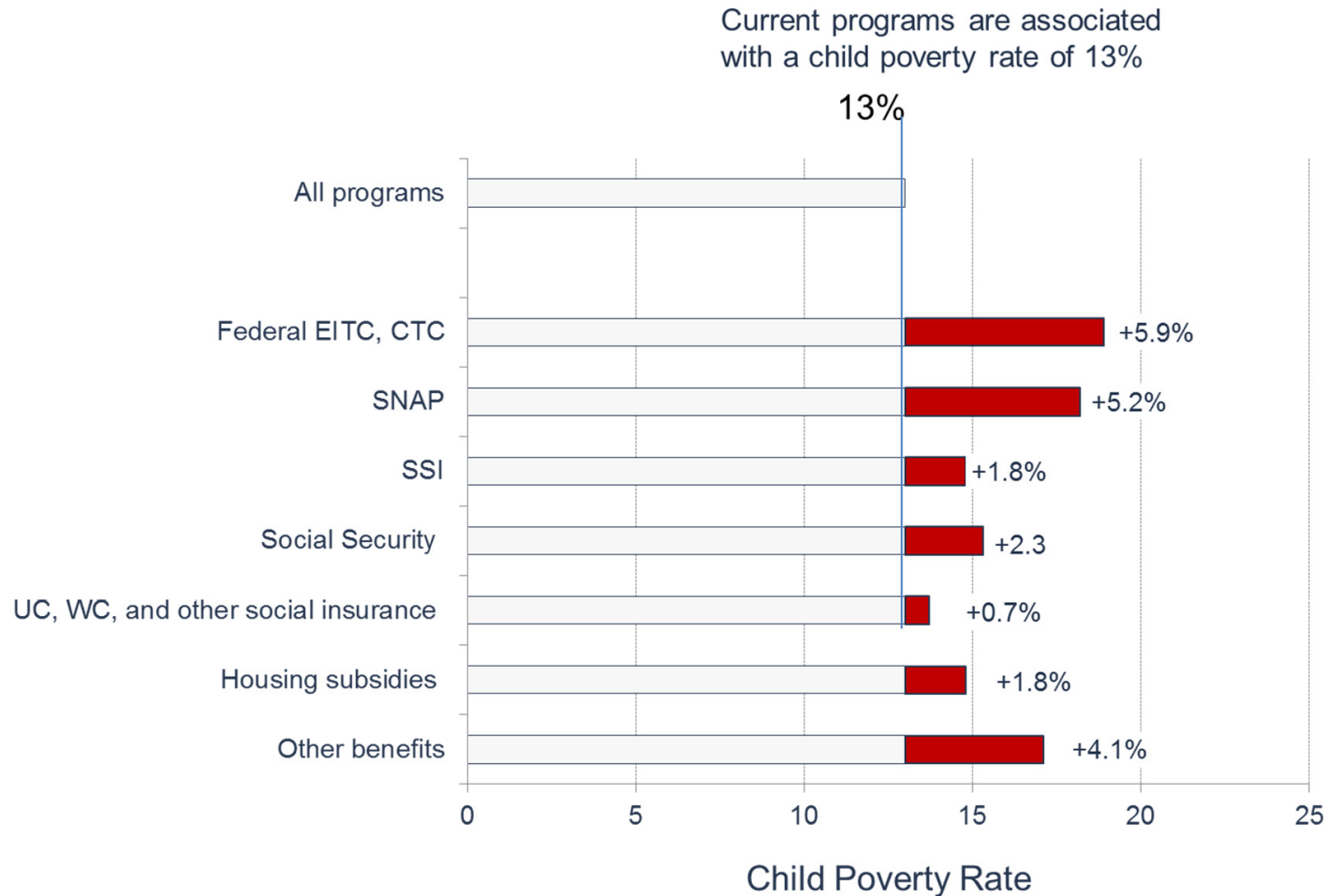


FIGURE 4-9 “What-if” Child Poverty Rates With the Elimination of Selected Federal Programs.

Source: *A Roadmap to Reducing Child Poverty*, National Academy of Sciences, 2019.

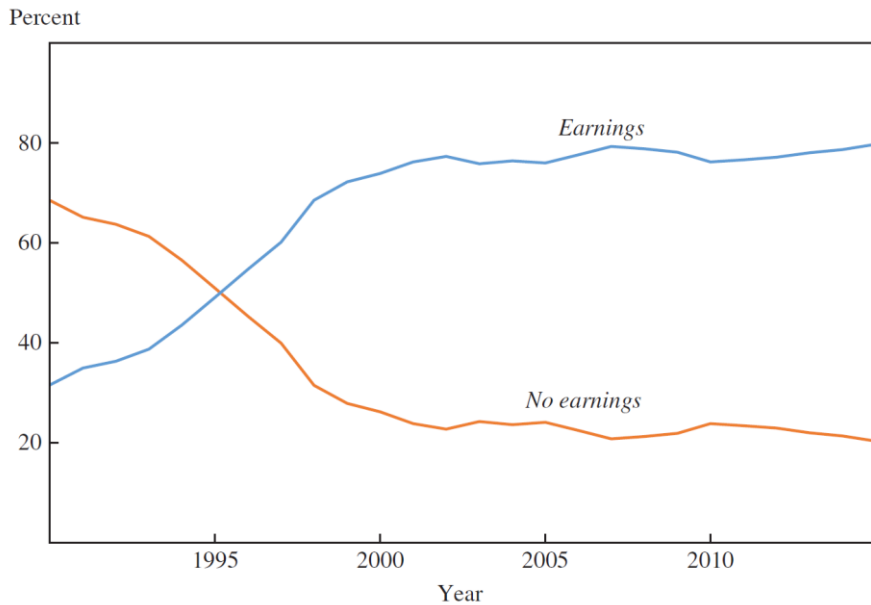
Other benefits include TANF, means-tested veterans benefits, means-tested education assistance, LIHEAP, the National School Lunch Program, and WIC.

Growing Conditionality

- [Mid-1990s and beyond] Welfare reform and the rise of the Earned Income Tax Credit
- [Current administration] Expanding work requirements to other programs
 - SNAP and Medicaid
 - Lose benefits in any month don't work at least 20 hours/week for ABAWDS
- Safety net largely *topping up work* but providing little protection out of work.
- Evidence from Great Recession shows *greater volatility* at lower incomes, consistent with these changes

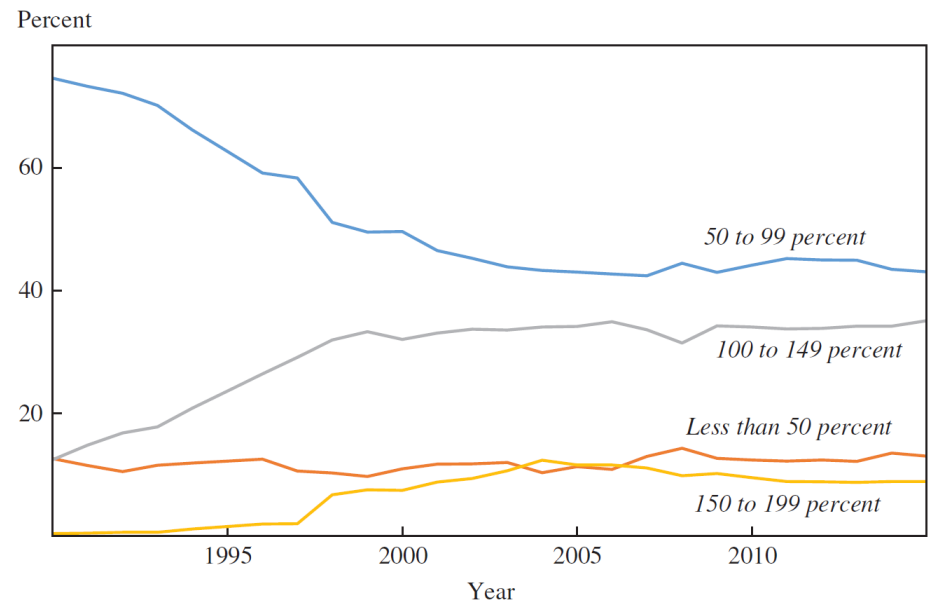
Child Benefits - greater share going to earners, those above poverty

(a) Share of total spending, by earning status



Sources: Various administrative sources (see the online appendix); authors' calculations.
a. Programs include SNAP, AFDC/TANF, EITC, and CTC.

(b) Share of total spending, by income



Sources: Various administrative sources (see the online appendix); authors' calculations.
a. Programs include SNAP, AFDC/TANF, EITC, and CTC. The line captions denote family income as a percentage of the supplemental poverty measure.

(2) The US response to COVID-19

Policy Response to COVID Crisis

Unemployment insurance (UI)

- \$600 weekly top-up to regular UI
- Expanded eligibility (self-employed/gig workers)

Emergency Impact Payment (EIP)

- \$1200 per adult + \$500 / child, *one time only* (phased out starting at \$75K for singles, \$150K for marrieds)

SNAP

- Increase SNAP benefits to maximum benefit for the 60% not receiving maximum benefits, worth about \$160/month

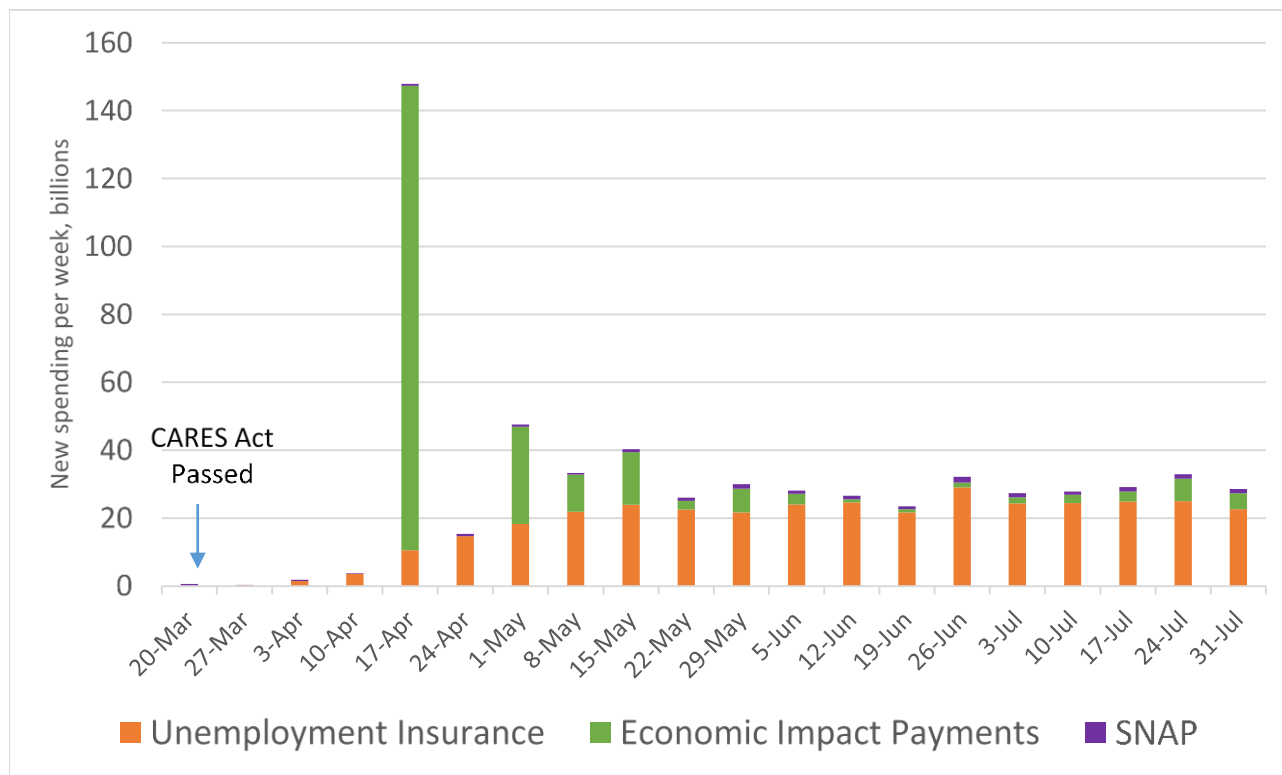
Pandemic-EBT

- 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/reduced price school meals when schools closed)

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

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

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



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.

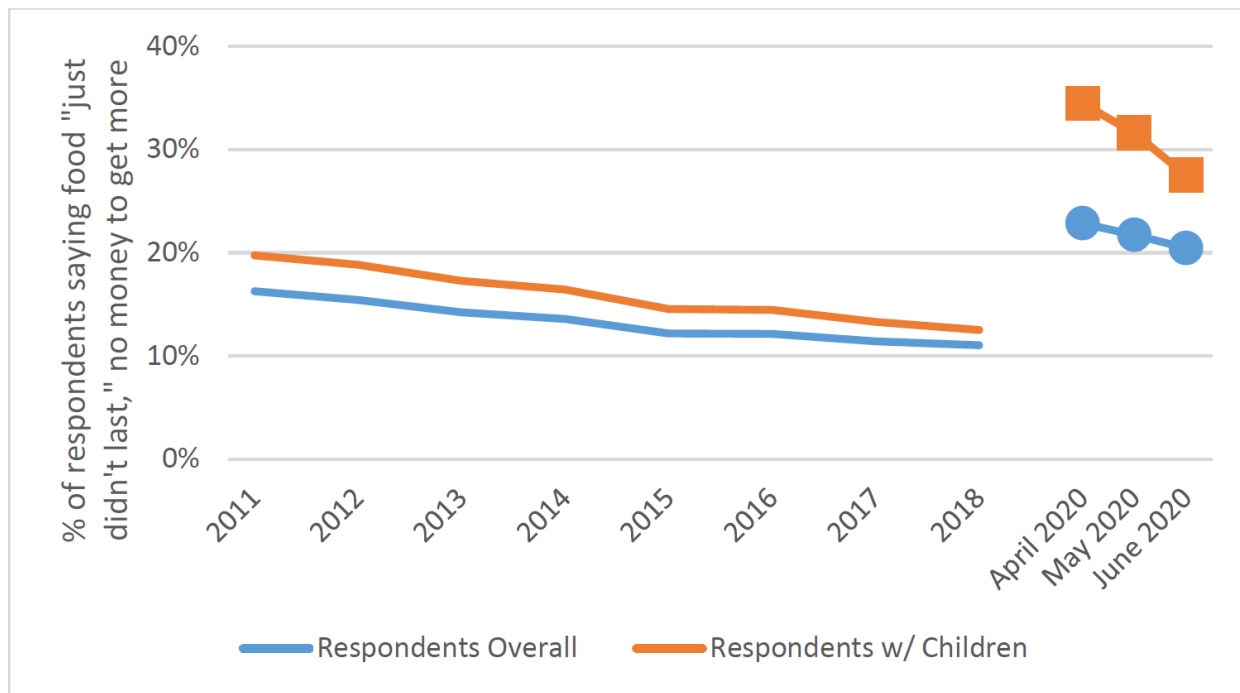
Source: Bitler, Hoynes and Schanzenbach, forthcoming, BPEA

Despite this spending, there is evidence of significant economic distress

Figure 1: Food Insecurity, Historical and COVID-19 Crisis

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

Q: 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”



NHIS through 2018 compared to COVID Impact Survey

Source: Bitler, Hoynes and Schanzenbach, forthcoming, BPEA

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

- 1. TIMING:** 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
- 2. MAGNITUDE:** Outside of UI, benefit increases are modest
- 3. INCOMPLETE:** Holes in eligibility and take-up
 - Despite expansions, not everyone is eligible for UI (e.g. lower participation among less skilled workers, statutorily excludes unauthorized workers)
 - Economic Impact Payment excludes all households where ANYONE lacks social security number; payments automated ONLY for previous filers

(3) Implications for the long run

Safety Net Investments in Children

- A common framework for evaluating preschool and other human capital programs is as an investment: Resources are invested upfront that generate returns over the longer run (education, labor market, health).
- Paradoxically, we don't apply this thinking to the social safety net
- Does investing when children are young lead to private and public benefits in the longer run?
- There is new and growing evidence that more resources in childhood lead to improvements in economic and health outcomes in adulthood.

Evidence on the effects of income on child health and well being

Sources of Evidence:

Earned Income Tax Credit

SNAP / Food Stamps

Early cash assistance programs (early 20th c.)

Other income interventions

Short Run Effects:

Infant health (at birth)

Child health

Food Insecurity

Human capital

Long Run Effects:

Education, Earnings and income

Adult health

Mortality

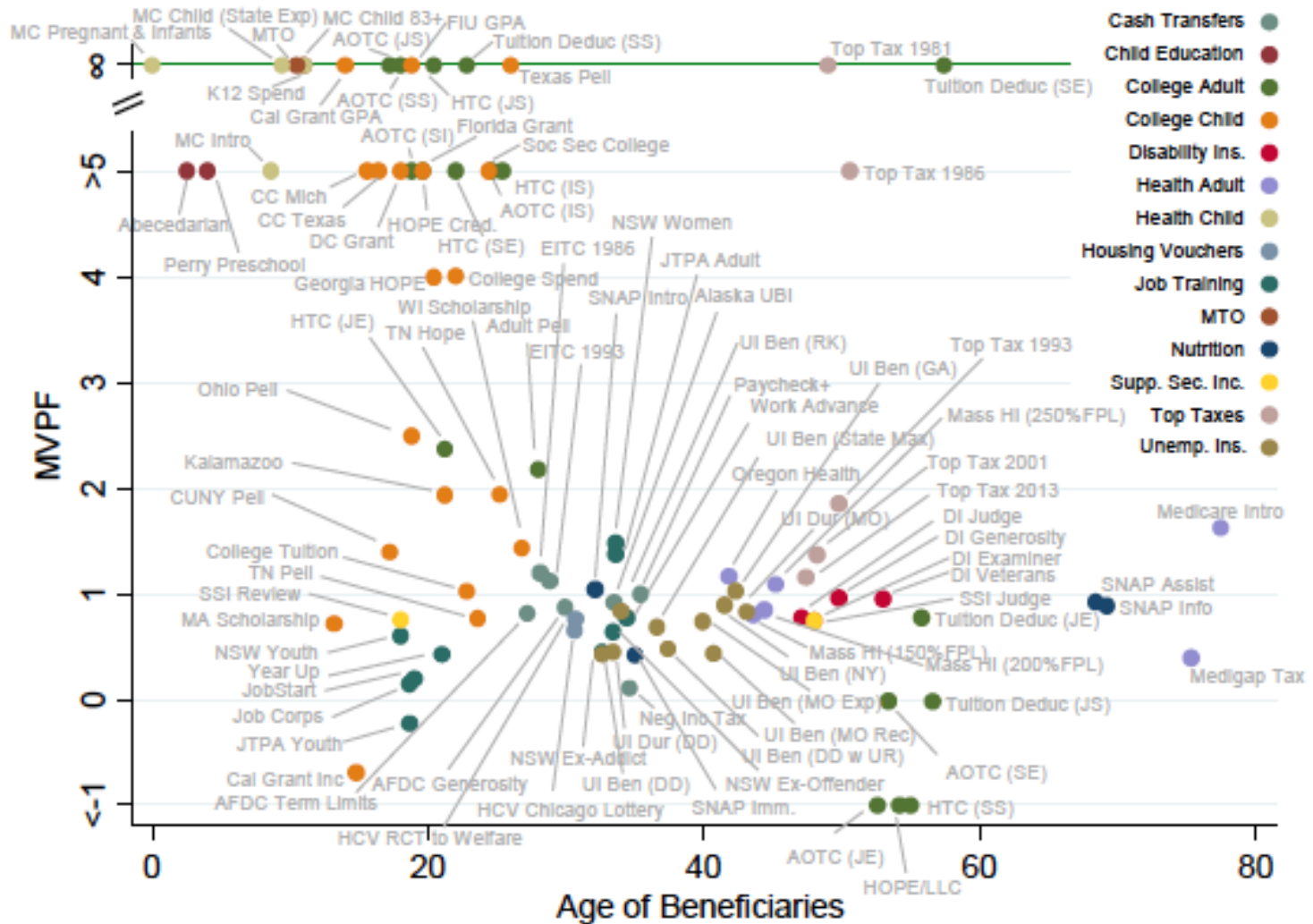
Long Run effects of additional resources in childhood

- *Cash welfare*: early 20th century program leads to improvements in longevity, educational attainment, nutritional status, and income in adulthood (Aizer et al 2016)
- *SNAP*: Increases education, earnings, health in adulthood (Hoynes et al 2016, Bitler and Figinski 2018, Goodman-Bacon 2016, Bailey et al 2020)
- *EITC*: increases educational attainment and employment in young adulthood (Bastian and Michelmore 2018)
- *Tribal government UBI*: improvement in mental health, reduction in substance abuse, crime, and increase in educational attainment (Akee et al. 2010, 2018; Costello et al., 2010)

(See Hoynes and Schanzenbach 2018 for review)

Hendren and Sprung-Keyser (2019) quantify a broad set of interventions showing long run government benefits relative to the costs.

FIGURE III: MVPF Estimates by Age of Policy Beneficiary



Concluding thoughts

- The U.S. social safety net for low income households is increasingly conditional, built to top up work
- This is inadequate in a time of job loss
- The COVID response was robust, but there are groups left behind. And the current provisions are expiring/have expired
- More action is necessary
- Post COVID we need to strengthen the out of work safety net