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USE OF PUBLIC BENEFITS OVER THE FIRST YEAR OF PANDEMIC

Exploring Access, Delays and Outcomes

Executive Summary

In response to the economic crisis caused by the COVID-19 pandemic, the U.S. federal government enacted initiatives designed to help households weather the pandemic's effects. These initiatives included expansions of existing programs, such as unemployment insurance, as well as new programs like the economic impact payments. In this brief, we investigate the extent to which households relied on an array of public benefit programs over the course of the pandemic, how they used their economic impact payments, and the extent to which the unemployment insurance expansion was effective in insulating recipients from hardship during the pandemic.

We find that, in general, households were much more likely to report using their economic impact payments for essential purchases and savings than for other reported purposes. We also find while higher income households were more likely to save their economic impact payments, lower-income households were still able to save at least a portion of these funds. Evidence suggests enrollment in four different public benefits—SNAP, TANF, unemployment insurance, and social security payments—increased over the course of the pandemic. Yet, large percentages of unemployment recipients had to wait in excess of two weeks to receive their unemployment payments and relatedly, high rates of hardship among unemployment insurance recipients increased starkly over the first year of the pandemic. These results speak both to the importance of current and future policy responses to the pandemic in helping households maintain a measure of financial security, as well as to the potential gaps in this response.

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Background

In response to the COVID-19 pandemic, the federal government passed the Coronavirus Aid, Relief and Economic Security (CARES) Act in March 2020. This legislation provided an array of financial support for households during unprecedented economic challenges imposed by the pandemic. A keystone to the CARES Act was an expansion of unemployment benefits and economic impact payments[1]. The expanded unemployment benefits offered an additional $600 per week for individuals receiving unemployment insurance, while economic impact payments offered a one-time payment of $1,200 for every adult and $500 for every child in the U.S. In addition, millions of Americans used Temporary Assistance for Needy Families (TANF), the nation's primary source of regular cash assistance to families with children and low incomes[2], and the Supplemental Nutrition Assistance Program (SNAP), the nation's most important food security program[3]. At the same time, some early evidence points toward increased applications for social security programs (e.g., retirement benefits or supplemental security income for individuals with disabilities) over the course of the pandemic[4].

Even though each of these programs, as well as the economic impact payments offered by the government, play an important role in helping U.S. households stabilize and maintain their financial well-being during financial downturns like that caused by the pandemic, little is known about the actual take-up of these programs and usage of the corresponding funds over the course of the pandemic. Further, there is limited evidence on households' ability or inability to access these programs, and the extent to which these benefits helped households avoid the experience of hardships. To that end, this brief examines the take-up of SNAP, TANF, unemployment insurance, and social security benefits; the use of economic impact payments during the COVID-19 pandemic; and how these changes influenced household incomes and financial well-being measures.

Methods

This brief includes data from the nationally representative Socioeconomic Impacts of COVID-19 Survey conducted by the Social Policy Institute at Washington University in St. Louis (SPI), which includes roughly 5,000 respondents followed over five waves from late April 2020 to May 2021. The purpose of the survey was to understand the social and economic consequences of the COVID-19 pandemic. You can learn more about the survey and its data collection through the survey methodology report.

Findings

HOUSEHOLD INCOME AND THE USAGE OF ECONOMIC IMPACT PAYMENTS

Starting mid-April 2020, the federal government began sending most U.S. households economic impact payments as part of its pandemic relief efforts. These payments offered $1,200 to each adult and $500 to each child in qualifying households. In Figure 1, we examine how households used these payments and how usage differed by the reported 2019 household income of recipients.

Generally speaking, there is a clear relationship between income level and usage of economic impact payments: lower income households were much more likely to report using the economic impact payments for different types

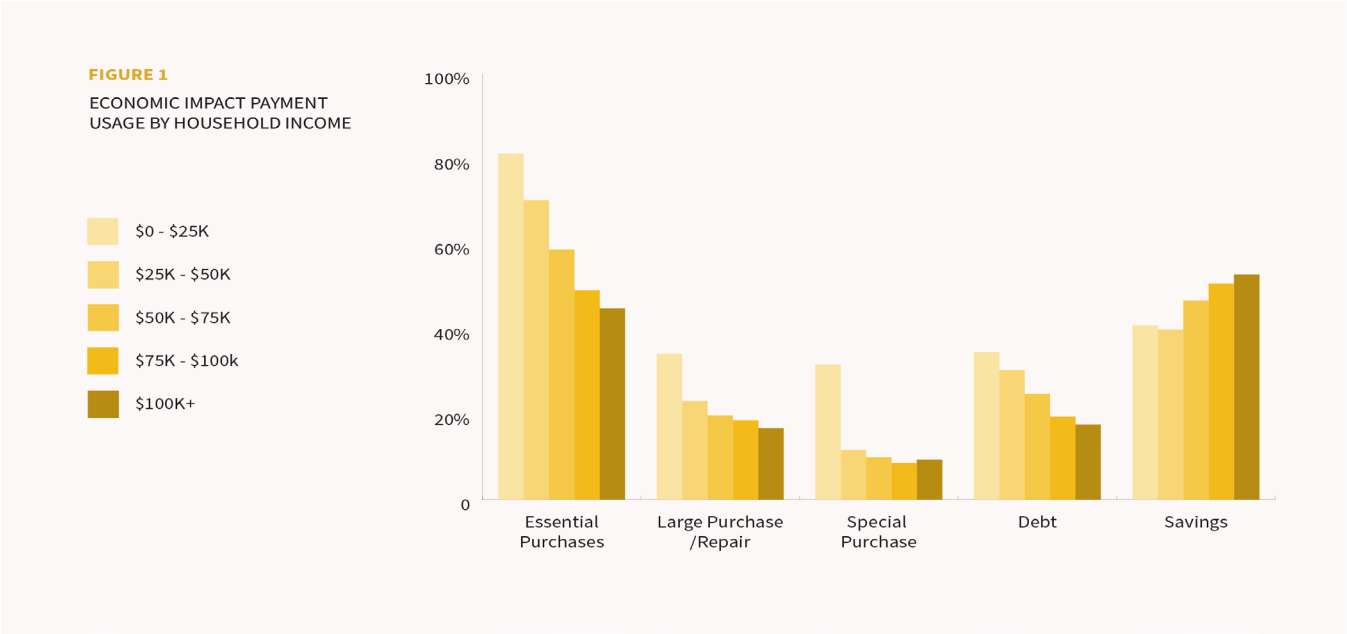
1 Stephen Roll and Michal Grinstein-Weiss, "Did CARES Act benefits reach vulnerable Americans? Evidence from a national survey," *Brookings,* August 25, 2020. https://www.brookings.edu/research/did-cares-act-benefits-reach-vulnerable-americans-evidence-from-a-national-survey/

2 Center for Budget and Policy Priorities, "Chart Book: Temporary Assistance for Needy Families (TANF) at 25," *CBPP*, August 5, 2021. https://www.cbpp.org/research/family-income-support/temporary-assistance-for-needy-families-tanf-at-25

3 Lauren Hall, "A Closer Look at Who Benefits from SNAP: State-by-State Fact Sheets," *CBPP,* January 12, 2021. https://www.cbpp.org/research/food-assistance/a-closer-look-at-who-benefits-from-snap-state-by-state-fact-sheets#Alabama

4 Gopi Shah Goda et al. "The impact of covid-19 on older workers' employment and social security spillovers," *National Bureau of Economic Research*, (2021). https://doi.org/10.3386/w29083

of consumption (essential purchases, large purchases, etc.) and paying down debt, while higher income households were more likely to report saving their payments. At the same time, about 40% of households earning $50,000 or less saved their economic impact payment, a notable feat considering how difficult it is for households with limited incomes to save despite the benefits of doing so. These results indicate that the economic impact payments benefited households during the pandemic by helping them cover essential purchases while providing a cash windfall to increase savings, especially for economically vulnerable households.

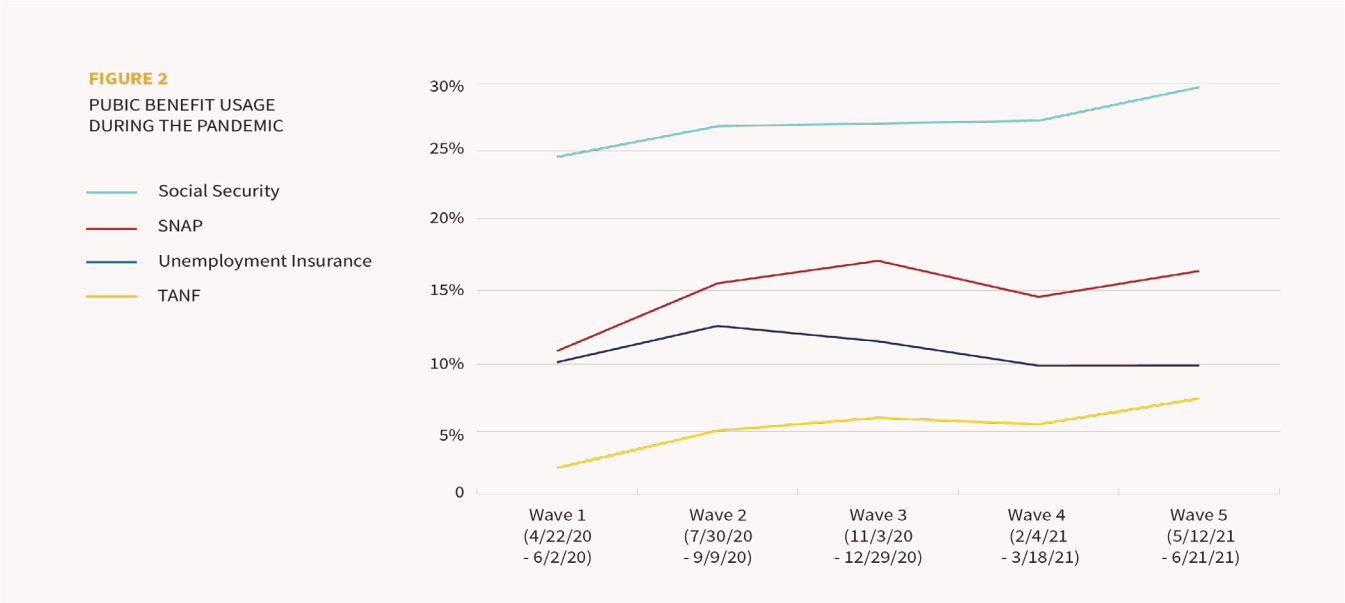


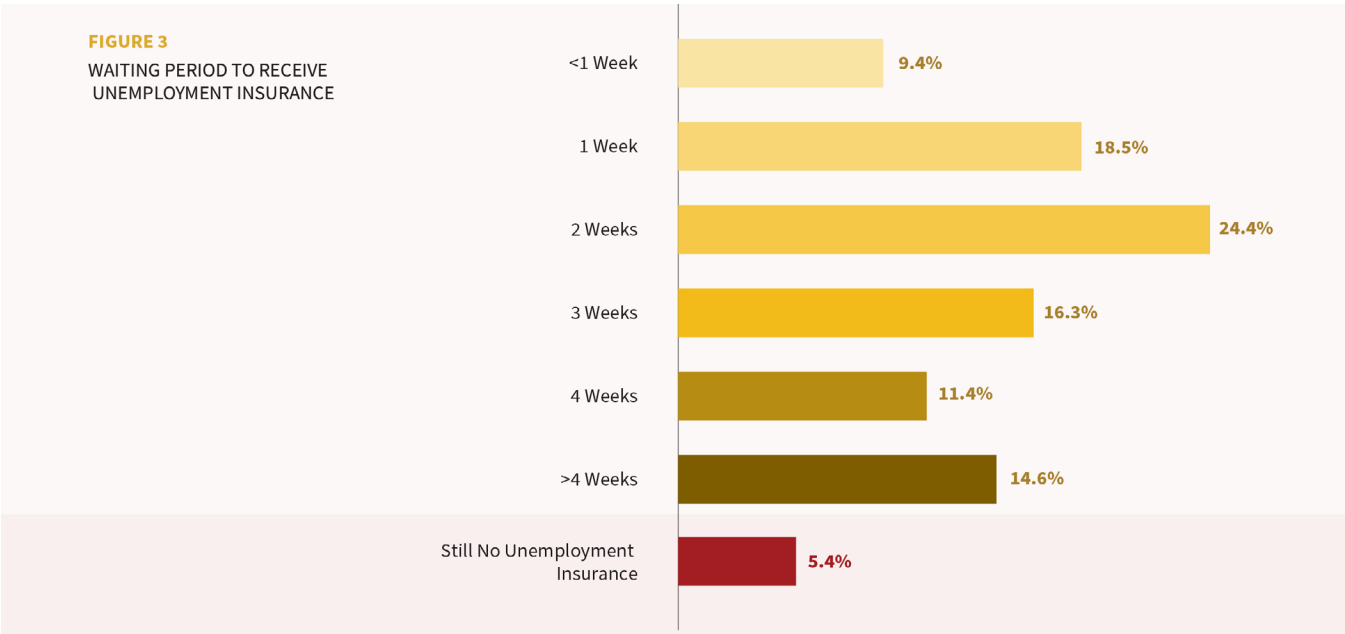
PUBLIC BENEFITS USAGE OVER THE PANDEMIC

Next, we examine how the usage of four different public benefits—SNAP, TANF, unemployment insurance, and social security payments (including retirement payments and SSI)—evolved over the course of the pandemic. In general, Figure 2 shows that SNAP, TANF, and social security payments all exhibited an upward trend over the course of the pandemic. For example, SNAP usage increased from 11% to 17%, while TANF usage increased from 2% to 7%. Unemployment insurance, by contrast, peaked in August and September of 2020, before returning to the levels observed early in the pandemic (which were likely much higher than pre-pandemic unemployment insurance usage rates). In general, these patterns seem to indicate that households were quick to increase their reliance on unemployment insurance during the pandemic, likely applying for it soon after they lost their job, while their take-up of programs with stricter eligibility criteria or increased bureaucratic hurdles (e.g., TANF, SSI and SNAP) only gradually increased during the pandemic.

WAITING PERIOD TO RECEIVE UNEMPLOYMENT

Though households may have turned to unemployment insurance as the first option for financial support during the pandemic, there were many reports of overburdened unemployment offices and long wait times for unemployment application approvals early in the pandemic. Figure 3 displays households' reported wait times to receive unemployment benefits early in the pandemic (April/May 2020), and shows that, 67% of unemployment insurance recipients waited two weeks or more to receive funds, while 26% waited at least four weeks and nearly 6% had yet to receive unemployment at all. In the U.S. a typical hourly income adheres to a 2-week paycheck period, making the response time of the benefit, among other factors, vital. This likely means that a majority of all respondents who applied for unemployment insurance were left waiting for necessary payments, increasing households' risk of financial hardship or distress.





RATES OF HARDSHIP AMONG UNEMPLOYMENT RECIPIENTS

Though expanded unemployment benefits were a key component of the pandemic response in the U.S., our findings show that households receiving unemployment still faced high rates of hardship that increased over the course of the pandemic. As Figure 4 illustrates, rates of skipped bills, skipped housing payments, and the use of alternative financial services like payday loans among unemployment recipients was highest during the last wave of our survey (May/June 2021), with 60% of unemployment insurance recipients using alternative financial services, such as payday loans, 47% of unemployment insurance recipients having skipped rent, and 44% of unemployment insurance recipients having skipped bills. Overall, these findings indicate that access to unemployment insurance was not sufficient in preventing hardship, and challenges the narrative that expanded unemployment benefits were allowing households to live comfortably without working.

Implications

As demonstrated by the increased reliance on economic security programs such as SNAP, TANF, unemployment insurance, and social security in the first year of COVID-19, the pandemic has profoundly impacted the economic lives of U.S. households. Regardless of income, many households experienced a need for public benefits to weather the unprecedented financial impact of COVID-19. The increased and continued use of public benefits indicates that many U.S households still need continued support to recover from the economic impacts of the pandemic.

Public benefits like the ones examined in this brief comprise a social safety net that is vital in helping Americans weather economic crises. Yet, these public benefits are imperfect. An overall theme that emerges from our research is that this safety net still leaves many households vulnerable to economic crises they had no control over. This is most clearly demonstrated in our unemployment insurance analyses, which found that many households experienced long wait times to access it and, despite increases in unemployment insurance payments, still experienced high rates of hardship and high-cost alternative financial service usage.

Other research has pointed to gaps in public benefit coverage caused by restrictive eligibility criteria. For example, despite increased use during the pandemic, the reach of TANF has been steadily declining over time, largely due to often confusing and strict employment or behavioral requirements[5].

Our findings on the usage of economic impact payments among different income groups also provide indirect evidence on the potentially large aggregate impact of public benefits on consumer spending and savings. While the general pattern we observed—that lower-income households were more likely to spend their stimulus on essentials and higher-income households were more likely to save it—was expected, we also found that relatively high percentages of households across the income spectrum reported saving at least some of their stimulus. This result may speak to a pent-up demand for savings opportunities among low-income households, who often face extensive budget constraints that prevent them from saving. It also indicates that government stimulus can serve a dual function by encouraging consumption activities while also helping households build a financial buffer against economic shocks, which is particularly important during times of economic volatility.

5 Center for Budget and Policy Priorities, "Policy Basics: Temporary Assistance for Needy Families," *CBPP*, March 31, 2021. https://www.cbpp.org/research/family-income-support/temporary-assistance-for-needy-families

In the wake of the pandemic, there appears to be some recognition that the existing public safety net is insufficient to meet the needs of U.S. households. For example, the American Rescue Plan Act of 2021 expanded both the Earned Income Tax Credit and the Child Tax Credit, which will in many cases dramatically increase the direct cash support available to low-income U.S. households. This policy also included $1 billion in Pandemic Emergency Assistance Funds, the first new federal funding for programs like SNAP, TANF, and unemployment insurance in over a decade. What our study has partially shed light on and a direction for future research is to examine the long-term effect of these public benefits. There has been a long-running debate about the long-term impact of government financial assistance, especially upon the termination of such assistance. Our findings of increased take-up of public benefits and rates of hardship through time indicate that while the macroeconomic indicators may have seen significant recoveries since the initiation of the pandemic well over a year ago, the financial health of many vulnerable households is still in a perilous situation. Hence, sustained public benefits may be necessary to achieve the long-term goal of rebuilding their financial resilience and policy makers should guard against premature erosion of such benefits.