

Income and Poverty in the COVID-19 Pandemic

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We'd like to thank:

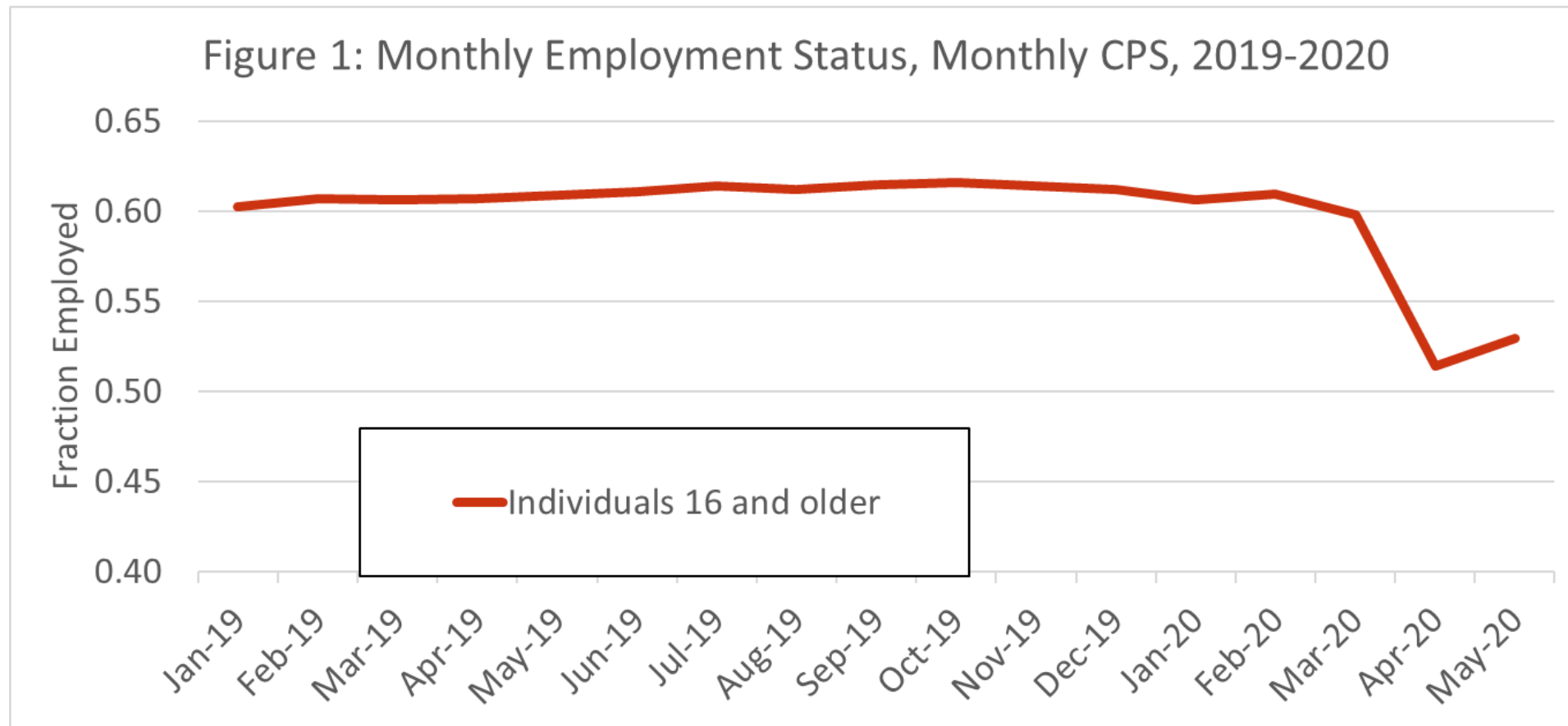
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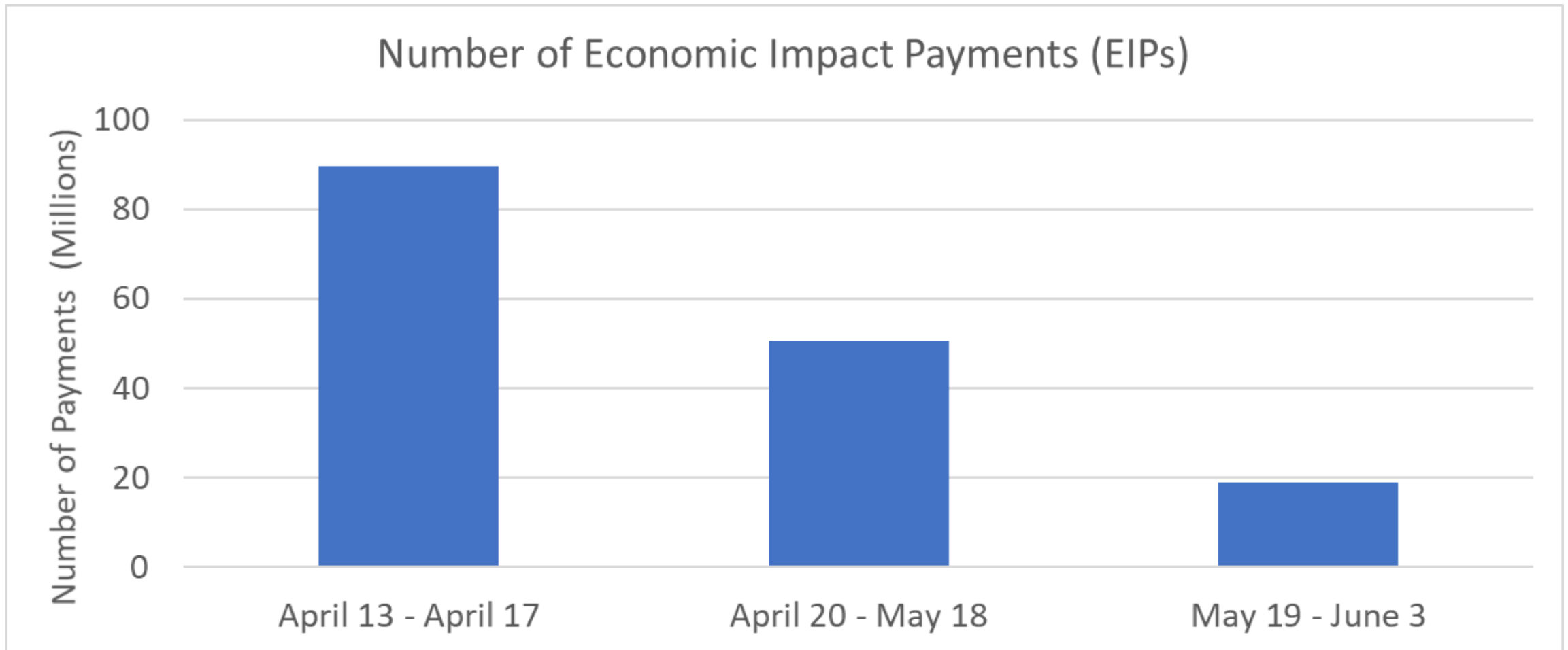
Motivation

We've seen a sharp decline in economic activity...



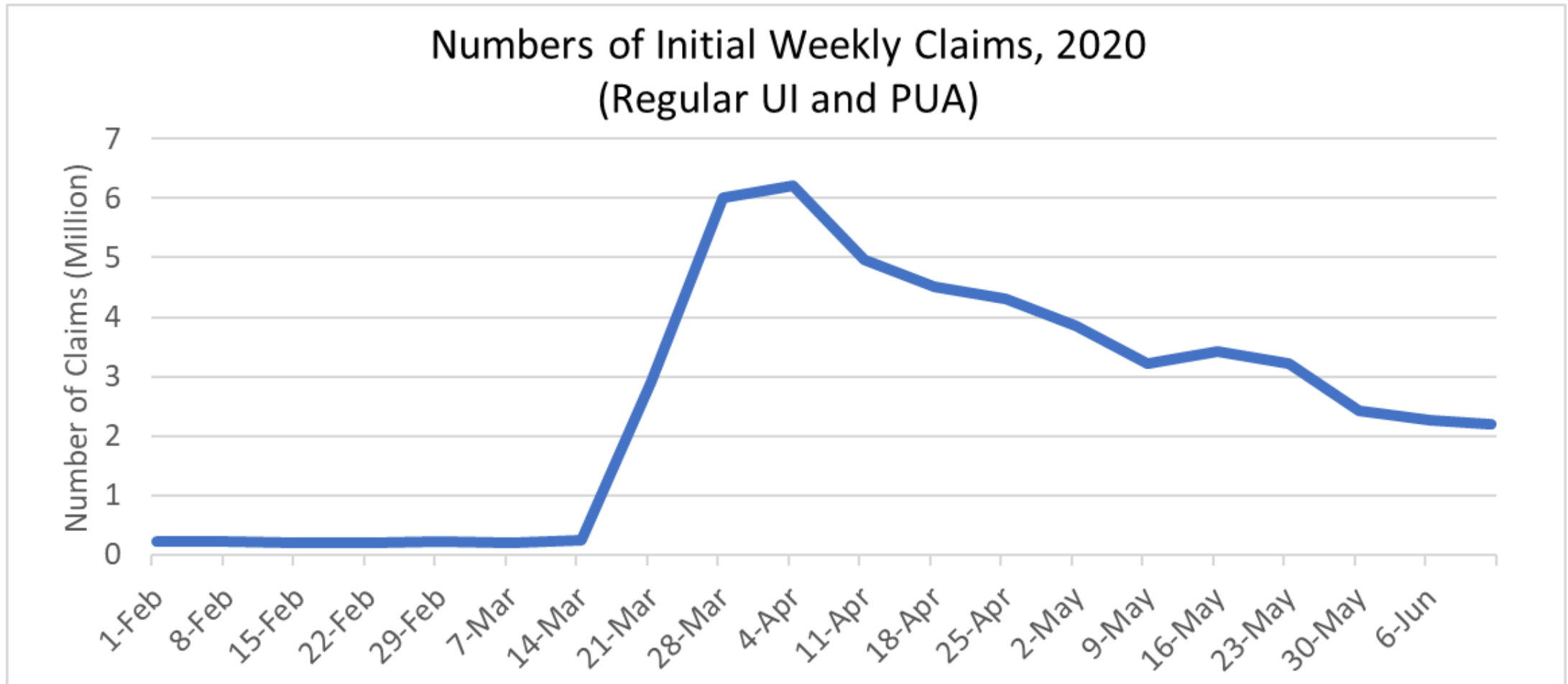
Motivation

and an unprecedented government response



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Questions

What is the net effect of these dramatic disruptions on family income?

Problem: Official statistics aren't available until September 2021

Some aggregate numbers are available, but it is important to have near real-time information on:

- What is the impact on the poor and other parts of the income distribution?
- Are some demographic groups disproportionately affected?

What We Do

- Use data on family income from the Monthly CPS
 - Global question about cash income from all sources for the past 12 months
- Compare family income to official poverty thresholds to estimate poverty before and after the start of the pandemic
- Examine several percentiles of the income distribution
- Consider the contribution of key government programs

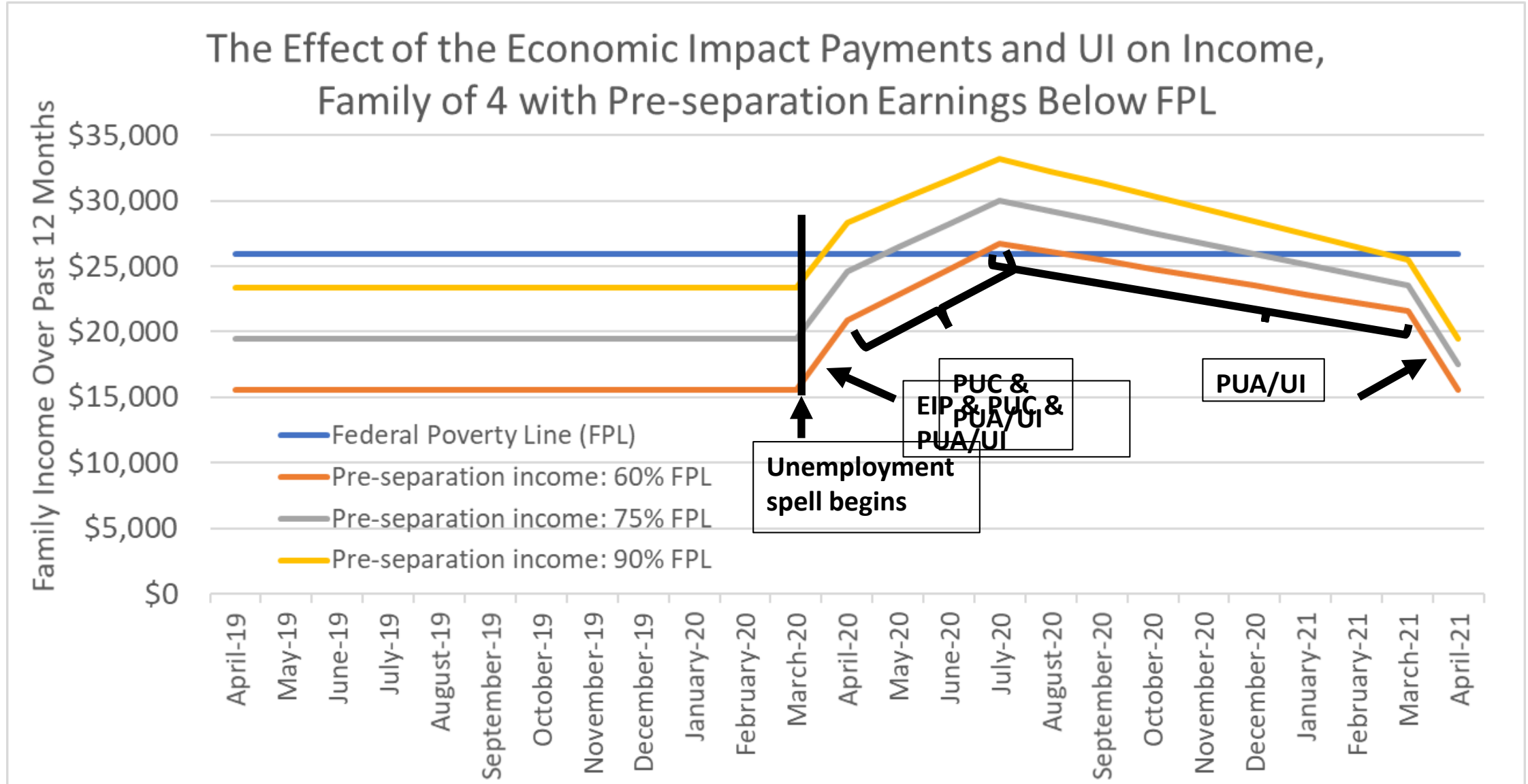
Wait, aren't these the consumption guys?

In a series of papers we have argued that consumption is a better measure of well-being at the bottom (Meyer and Sullivan 2003, 2004, 2008, 2012a,b)

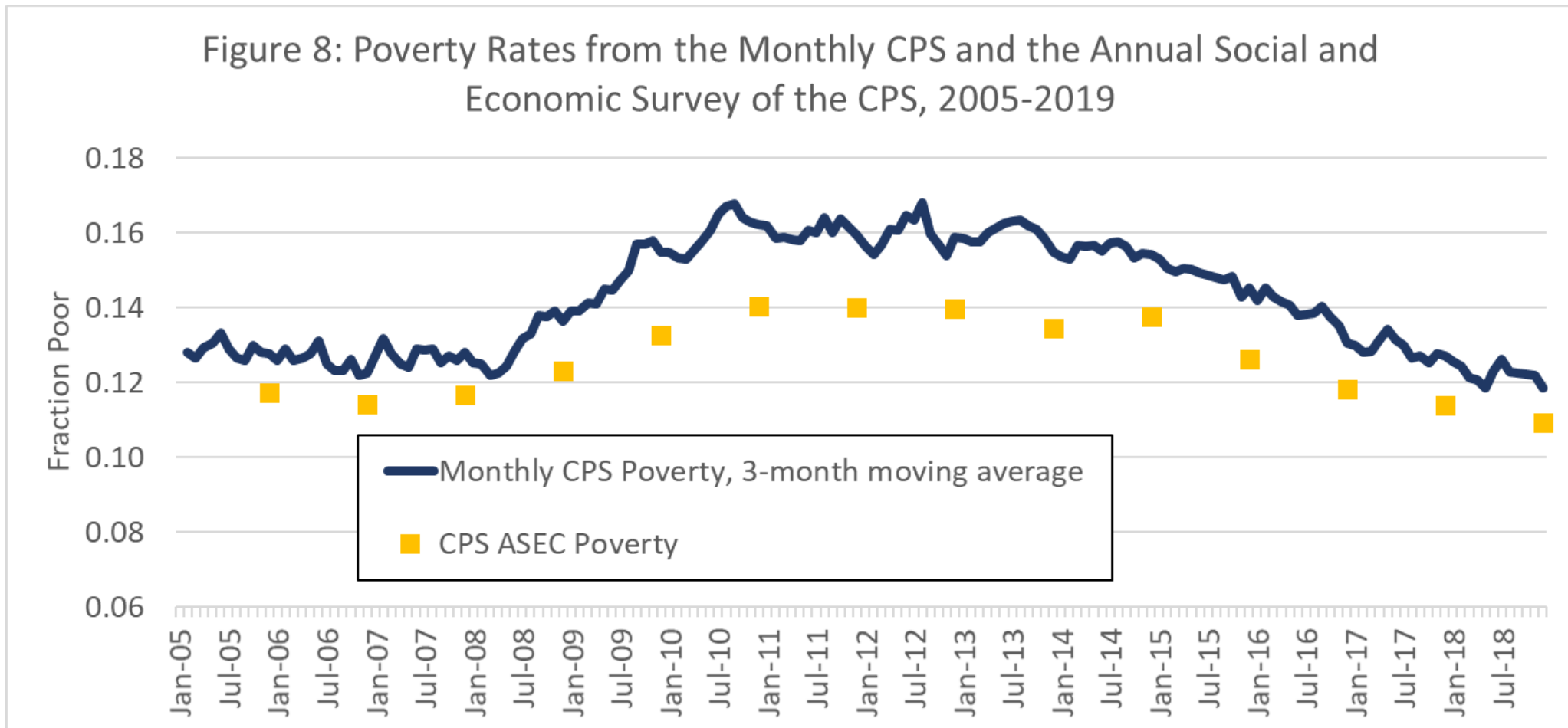
Both consumption and income are important

Concerns about under-reporting of income remain

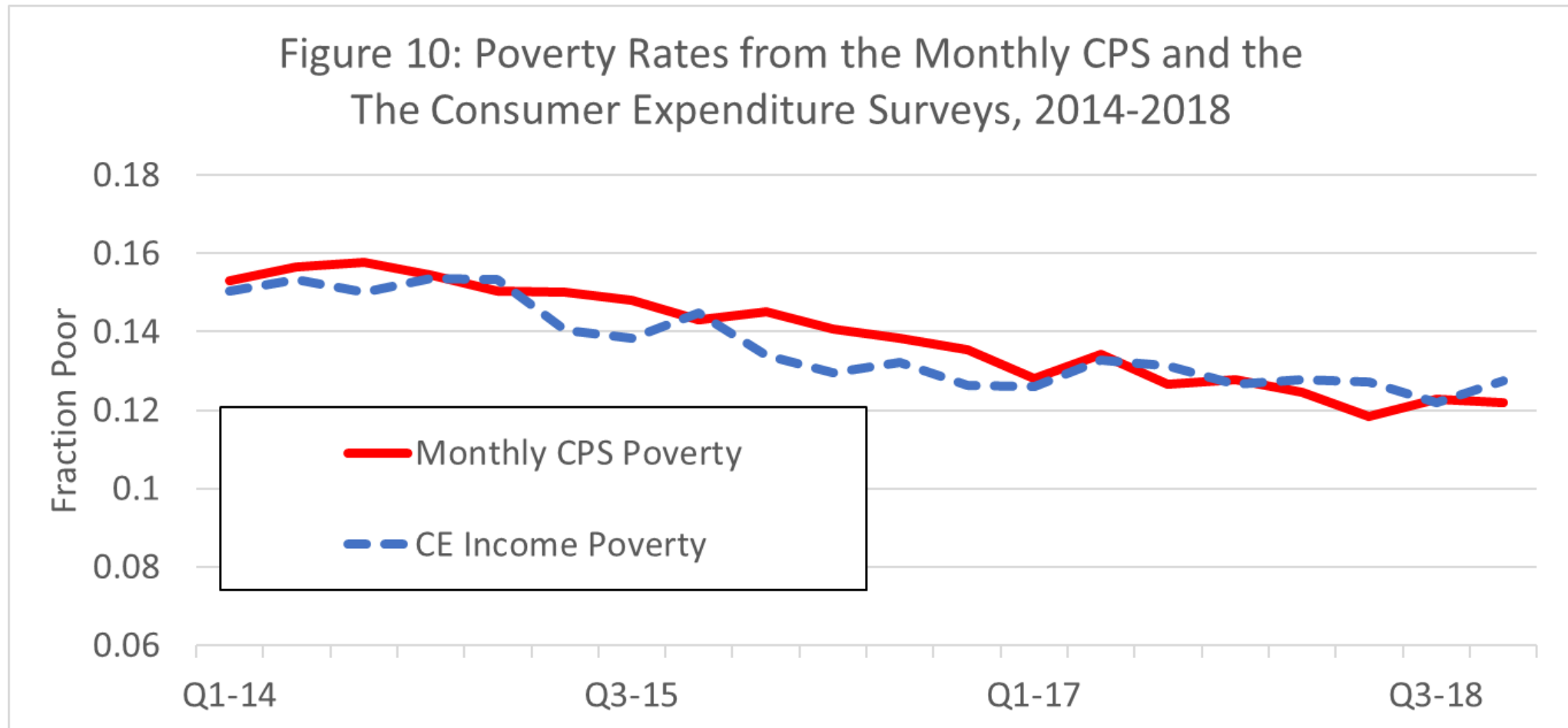
What should we expect to find?



How Does Income from the Monthly CPS Match Up?



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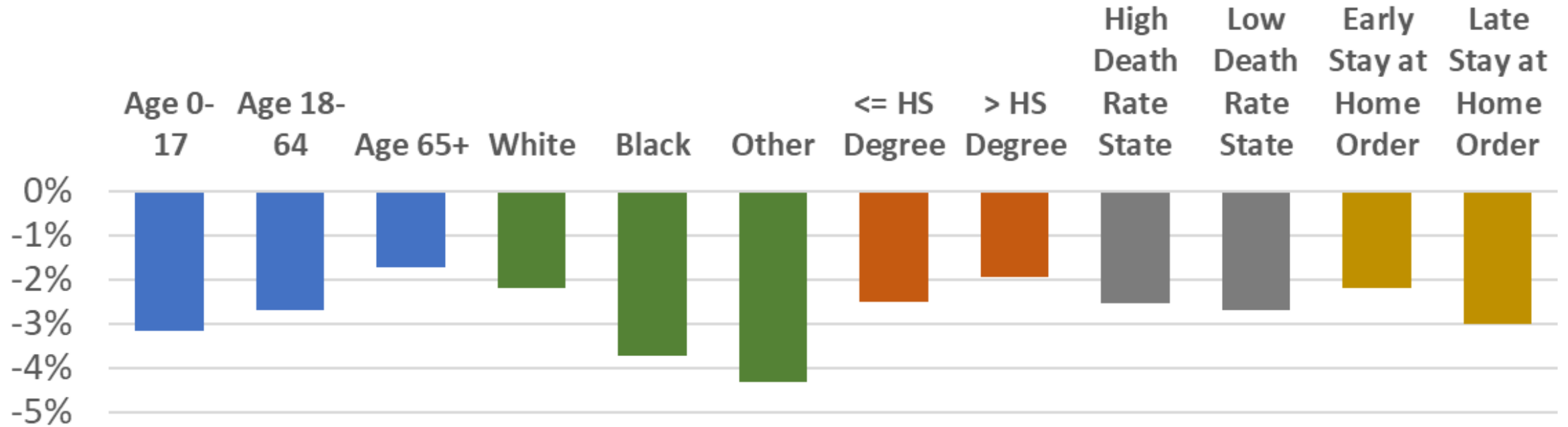
Results, Full Sample

Poverty Rates and 25th Percentile, Monthly CPS, 2020

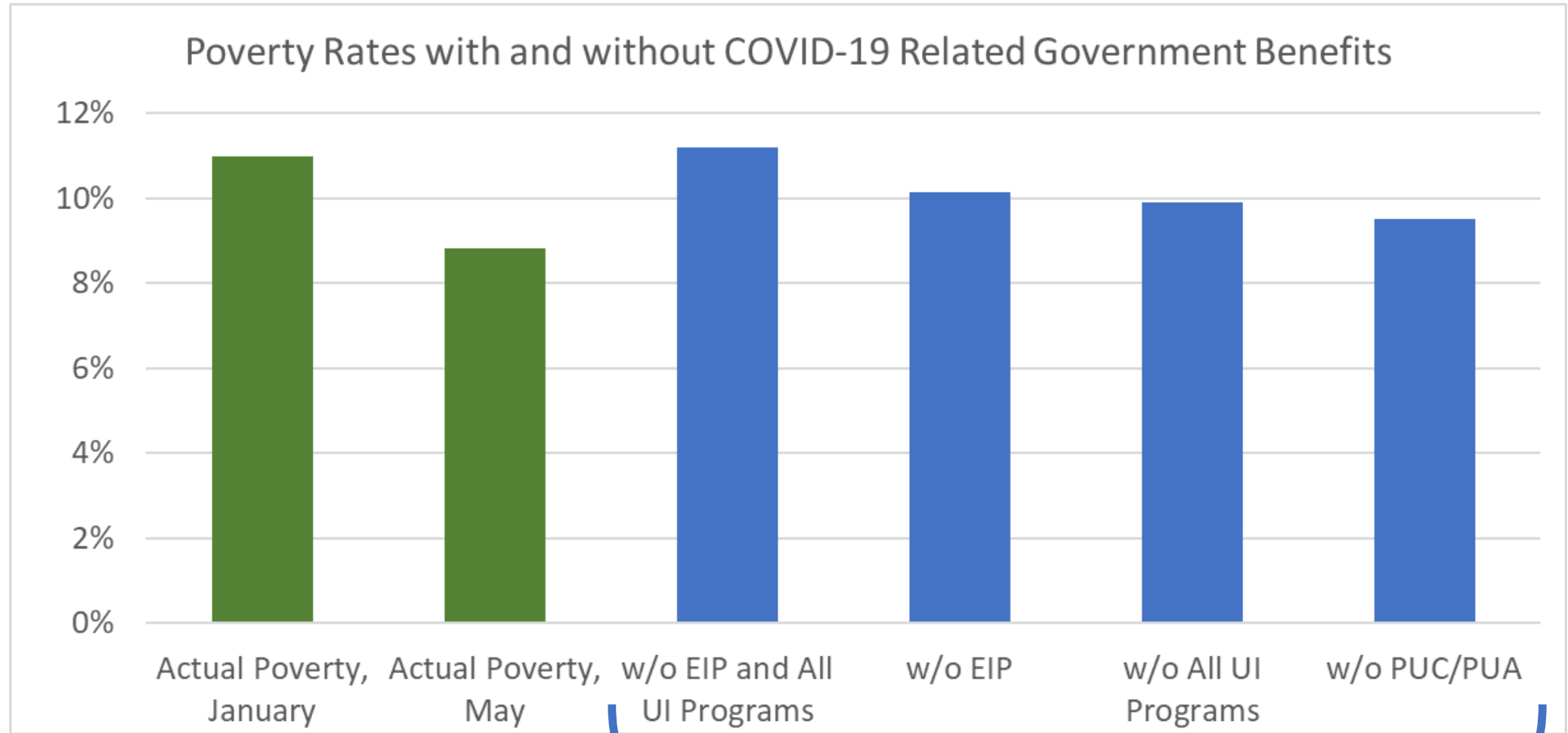
	January	February	March	April	May	(April+May)- (Jan+Feb)
Poverty	0.109 (0.005)	0.108 (0.005)	0.101 (0.005)	0.086 (0.006)	0.085 (0.006)	-0.023 (0.005)
25th Percentile	\$46,139 (822)	\$45,822 (865)	\$47,452 (1,033)	\$51,111 (1,296)	\$51,340 (1,246)	\$5,244 (1,042)
Number of individuals	20,029	20,825	16,739	14,387	14,243	

Results, Heterogeneity

Change in Poverty
(From Jan & Feb to April & May)



The Role of Government Policy



Counterfactual poverty estimates for May

Other Evidence

Other sources indicate incomes have risen

- Disposable income grew 13.4% in April

Spending has declined

- Real personal consumption expenditures fell by 6.7%
- Declines also evident in bank account and aggregate credit records

Some evidence of increased hardship

Final Thoughts

That poverty has fallen and incomes have risen is good news, but

This is a short-run finding

Increases in income don't address all the challenges people face

- Health concerns
- Disruptions in social interactions
- Uncertainty about the economy and future income

More to come in 3 weeks!