

# Discussion: BPEA COVID-19 Summer 2020 Conference

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# Two great papers, one big puzzle.

- Han, Meyer, and Sullivan
  - Real time measurement of household annual income using CPS
  - Find strongly declining poverty rates from Feb to May 2020, suggesting substantial poverty buffering of emergency income support programs
  - By contrast, cyclical contractions tend to increase poverty rates
- Bitler, Hoynes, and Schanzenbach
  - Document rising financial insecurity, unease among households with lower earning adults across a variety of dimensions, esp food insecurity
  - Suggests larger, more acute increases in insecurity by similar measures than over ~9 months of the Great Recession

# Details: Han, Meyer, and Sullivan

- Income measured as self-reported annual total income from cash sources over prior 12 months, surveyed in week 3 of each month
- Strong relationship to other income (poverty) measures
  - In changes as well as levels? In expansions versus recessions?
- Findings
  - Poverty fell by 0.7 pp from Nov 2019 to Feb 2020; then by 0.7 from Feb-Mar, and by 1.6 pp from Mar-Apr, and 0.1 pp from Apr-May (total 2.3 pp decline)
  - Decline from GR peak to 2019 was ~4 pp
  - Income rising at 10<sup>th</sup>, 25<sup>th</sup>, and 50<sup>th</sup> percentiles, not 75<sup>th</sup>
  - “Perfect compliance” estimates of the role of PUC, PUA and EIP can fully account for these changes
  - Conclude “increase in deprivation is not due to overall income loss, but rather due to other disruptions”

# Details: Bitler, Hoynes, and Schanzenbach

- Use a large range of data to examine changes in household wellbeing and economic security
- Explore connections between wellbeing changes and extent of benefits receipt, disbursement
- Findings
  - Rise in distress: rising unemployment (particularly among already lower earning groups), rising food insecurity, declining mental health
  - Rise in food insecurity largely in line with previous cyclical relationship, and SNAP increased more in higher UE states
  - Evidence that UI not reaching about half of eligibles, in line with past cycles
  - Conclude (broadly) past cycles can be a guide, call for continuing supports in a more targeted manner

# How to interpret the tension in these findings?

- The papers look at different signals of some kind of general household-level wellbeing concept.
  - Financial security: Ability to reliably cover (current) essential expenses for food, shelter, and daily needs.
- Options
  - One of the signals is wrong (biased to wrong sign extent).
  - Both are right, but they are representative of different US HHs that are experiencing COVID-era changes and support differently.
  - Or, they represent different facets of financial security, and these facets are changing in different ways.

# Policy and Data Timeline

Month	Week	Events	Initial Claims (NSA)
March	1	26 US cases on 3/4, shutdowns begin	0.20M
March	2		0.25M
March	3	<b>CPS survey week</b> , CARES debated	2.9M
March	4	CARES passed	6M
March	5		
April	1		6.2M
April	2	PUC disbursements begin	5.0M
April	3	EIPs begin, over half disbursed; PUA begins	4.3M
April	4	<b>CPS survey week</b> , <b>Census HHP survey begins</b>	3.5M
April	5	<15 states have begun PUA	
May	1		2.9M
May	2		2.4M
May	3	<b>CPS survey week</b>	2.2M
May	4		1.9M
May	5		1.6M

# Could one of the signals have the wrong sign in the current environment?

- CPS annual income/Share in poverty
  - Good consistency with more detailed CPS income measure, other income measures
  - ...but March changes may raise questions
- Other measures: Food insecurity, mental health, employment
  - Authors use a suite of measures that align with one another
  - Many measures repeated across Census HH Pulse Survey and representative COVID Impact Survey
  - Direction and general magnitude of changes align across sources
  - ... but levels sometimes differ
- Caveat to both: Never surveyed in a pandemic before

# Potential composition and concept differences

- Both papers looking at very broad segments of the population, seems unlikely focus on one part of the distribution is driving differences
- Food security, UI receipt/unemployment, mental health, and poverty-level income are very different concepts, could move differently
  - Historic relationship between food insecurity and income? (Dec. CPS Food Security Supplement)
  - Role of price increases
  - Additional security concept: \$400 emergency expense evidence suggests inability to cover these rose sharply

# Joint lessons for coming policy decisions

- Address known dimensions of distress with auto-stabilized package of supports that end when recovered from pandemic contraction
  - Food security
  - Stable housing
  - Financial emergencies
- Monitor price increases, especially food and housing, and auto-adjust supports as needed
- Monitor persistence of changes to annual income, poverty rates induced by CARES UI benefits, EIP
  - May have more than offset earnings losses through May but may erode