Discussion: BPEA COVID-19 Summer 2020 Conference

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Disclaimer: The views expressed here are the presenter’s and do not necessarily represent those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.
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
• 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 10th, 25th, and 50th percentiles, not 75th
  • “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”
• 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

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

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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