

Comments and Discussion

COMMENT BY

ABIGAIL WOZNIAK I will briefly summarize these two papers before turning to consider how to interpret the two papers together.

Han, Meyer, and Sullivan seek to provide closer-to-real-time estimates of income for the full range of US households in order to track poverty in a more timely manner over the course of the pandemic. Normally, US poverty is assessed annually using official statistics collected in the March Annual Social and Economic Supplement of the Current Population Survey (CPS ASEC). Han and colleagues point out that this measurement process means that official estimates of 2020 poverty will not be available until September 2021.

The innovation in Han and colleagues is to use data already available from major US household surveys to generate household-level estimates of monthly income for a large, representative sample. These data are responses to the monthly CPS question on total household income from all sources. The official poverty statistics rely on a detailed breakdown of income by source available only in the ASEC, but Han and colleagues demonstrate in their figures 3 and 4 that various moments of the income distribution track closely with one another whether constructed using the ASEC or the monthly income measures. The idea that these data can be used to provide more timely readings on the evolution of the income distribution is a great insight, and Han and colleagues do a thorough job demonstrating that these data deserve our attention.

After establishing this approach, Han and colleagues use the monthly income reports to analyze changes in the US income distribution in the first months of the COVID-19 pandemic. Their findings are striking. Fundamentally, they find that poverty rates in the COVID-19 contraction have departed from the pattern set in previous downturns: instead of rising

in the contraction, as has been the case in past recessions, poverty rates at the onset of the COVID-19 contraction actually fell. They document that, by their new measure, poverty rates fell by 0.9 percentage points from November 2019 to February 2020, then by another 0.8 percentage points from February to March, and by a similar amount from March to April 2020, before stabilizing at about 9.3 percent for April, May, and June. In total, Han and colleagues report a 1.5 percentage point decline in poverty, concentrated in March and April, as shown in their table 1.

Han and colleagues credit this pattern to a federal aid response that was unprecedented in its speed and scale. To assess the role of these programs, Han and colleagues create estimates of aid received by households under the main pandemic assistance programs: Economic Impact Payments (EIPs), Pandemic Unemployment Compensation (PUC), and Pandemic Unemployment Assistance (PUA). To generate these estimates, they assume that households received EIPs and UI benefits as allowed by statute, but they cap the total amount allocated to match administrative total disbursements by randomly excluding eligible recipients. Their estimates suggest that this suite of support payments can fully account for the income changes they document. Hence, their paper implies that the federal response was large enough to more than fully reverse what would likely have been an increase in poverty rates and a decline in incomes at many lower deciles. They conclude that “the increase in deprivation [as reported in the media and other studies] is not due to the overall income loss, but rather due to other disruptions of the pandemic.”

Bitler and colleagues use several data sources to examine this increase in deprivation more closely. They focus on three measures of well-being and economic security, deriving from different sources. These are unemployment (from recent monthly CPS), food insecurity, and mental health (both from the weekly US Census Household Pulse and the COVID Impact Surveys). They find large declines in these measures of well-being. Consistent with other research, they document a substantial rise in unemployment between March and April 2020 in the CPS, with the sharpest increases among already lower earning groups. They also document large increases in self-reported food insecurity and worsening mental health.

Bitler and colleagues then explore connections between these changes in well-being and benefits disbursement. This is challenging, since little individual- or household-level data are available on who has received state or federal support and at what levels. Bitler and colleagues therefore rely on past cyclical patterns to gauge the extent to which benefits may have reached eligible recipients. From there, they can assess remaining

unmet need. Little evidence on mental health is available for nationally representative populations over past business cycles, but much is known about the cyclical nature of benefits receipt through unemployment insurance (UI) and SNAP, due in part to earlier research from the authors. Using past estimates on the sensitivity of food insecurity to changes in unemployment over the cycle, Bitler and colleagues estimate that the rise in reported food insecurity in the first months of the pandemic is in line with earlier cycles. Consistent with this relationship, they show that SNAP disbursements have risen more in states with larger increases in unemployment.

Evidence on where UI payments have gone is still somewhat difficult to come by. Bitler and colleagues rely on eligibility rules to show that large shares of workers are not eligible for UI payments, even under the expanded provisions of the CARES Act. These include particularly large shares of the lowest earning workers as well as many immigrants. They also point to a range of barriers preventing households from receiving the Economic Impact Payments; these include known delays in distribution, complexity in delivery, and statutorily ineligible groups. Bitler and colleagues argue that ultimately a range of barriers to access, specific provisions to exclude certain groups, and administrative challenges mean that benefits distribution is likely to have so far missed large portions of the US population. This lack of support, they argue, is a likely contributor to declining economic security and mental health.

I describe these as two great papers that lead to one big puzzle. How can the economic condition and overall well-being of so many families have declined so sharply (as identified in Bitler and colleagues) if incomes have risen appreciably for a large portion of the lower earners in the distribution (as identified in Han and colleagues)? One way to try to interpret this tension is to step back and consider the papers as providing evidence on different signals of a general underlying household well-being concept. This concept could be defined narrowly as the ability to cover current essential expenses, or more broadly, as the ability to continue with prior consumption levels with little disruption. In my view, both teams are focused on a concept most like the former, but it is important to acknowledge that the latter concept may be relevant for answers given by survey respondents.

If we accept that the teams are trying to identify measures of financial security that allow Americans to cover essential expenses, then the different assessments they offer could be driven by three factors: (1) one of the signals may be wrong, in that it is biased to the extent that it provides the wrong sign; (2) both signals could be correct, but they could be representative of different US households that are experiencing COVID-19-era

changes and support differently (i.e., a composition difference); or (3) they could represent different facets of financial security, and these could be changing in different ways. I will address each of these possibilities in the remainder of this comment before concluding with a discussion of their likelihood as well as lessons for policymakers to take from this uncertain data environment.

ON THE POSSIBILITY OF BIAS IN THE DATA SIGNALS Of course, all data come with error, but what I am concerned with in the case of these two papers is the possibility that one of the sources is biased, to a degree that it is giving us the wrong sign in the pandemic environment. Both teams take great care to demonstrate the validity of their measures. Han and colleagues show that the CPS basic monthly measure of annual income they use produces poverty rates and income quantiles that are strongly consistent—particularly in changes—with the more detailed annual income measure from the March ASEC and other sources. Bitler and colleagues use a suite of data sources and show that these all provide measures broadly consistent with one another. In this case their signal does not derive from just one source, so this can increase confidence in the direction it indicates.

However, data from both teams contain features that raise questions. Bitler and colleagues' data sources, while broadly consistent with one another, sometimes differ in the levels of deprivation they indicate, and sometimes by a large amount.¹ The evidence on deprivation also comes from pandemic-era sources, which may less than perfectly compare to prepandemic sources, as Han and colleagues note. Han and colleagues' data show that half the decline in poverty rates in the first half of 2020 comes in March, prior to the distribution of most administrative benefits but after sharp declines in employment had begun. Table 1 shows the timing of the CPS survey from which Han and colleagues take their monthly measures of total income. The table shows that the March survey week occurred while the CARES Act was still being debated. In the same week, almost 3 million unemployment insurance claims were filed. Since the income measure is based on a twelve-month lookback period, a decline in poverty rates and rise in annual income for lower percentiles between February and March 2020 would have had to be driven by substantial increases in labor income in the first few weeks of March.

Han and colleagues note that poverty was on a downward trend prior to March 2020, and the March decline may reflect this, as well as normal month-to-month measurement error. However, in light of this pattern it is

1. See also Winship and Rachidi (2020).

Table 1. Policy and Data Timeline

	<i>Week</i>	<i>Events</i>	<i>Initial UI claims (NSA, millions)</i>
March	1		0.20
	2		0.25
	3	CPS survey week, CARES debated	2.9
	4	CARES passed	6
April	1		6.2
	2	PUC disbursements begin	5.0
	3	EIPs begin, over half disbursed; PUA begins	4.3
	4	CPS survey week, Census Pulse survey begins	3.5
May	1	Fewer than 15 states have begun PUA	2.9
	2		2.4
	3		2.2
	4	CPS survey week	1.9
	5		1.6

Source: Nunn, Parsons, and Shambaugh (2020); FRED.

Notes: CPS = Current Population Survey; PUC (Pandemic Unemployment Compensation) are additional payments through traditional unemployment insurance (UI); PUA (Pandemic Unemployment Assistance) are payments to workers who would not qualify for traditional UI under current statutes; EIPs = Economic Impact Payments. Week 1 is the full week containing the first of the month. Subsequent weeks are those fully included in the month. UI claims are from the end of the designated week.

worth considering whether the CPS monthly income data might contain additional error, perhaps unique to the pandemic. One source of error might be re-timing. Respondents may have anticipated the benefits payments they later received under the CARES Act. This source of error is likely not a concern for overall policy conclusions, at least if respondents correctly anticipate their payments. Other sources of error would pose more significant problems for interpreting the rise in incomes in spring 2020 as fully due to real increases from support payments. One example of this would be a change in recall bias, perhaps due to the pandemic. If the pandemic heightens awareness of one's full stream of income—perhaps because respondents have recently reviewed their income to gauge their financial cushion—then some of the rise in incomes may be spurious. The pandemic itself may change how respondents answer survey questions, even those that have been fielded consistently prior to the pandemic. The same caveat applies to Bitler and colleagues. In their case, survey changes in food insecurity and mental health from prepandemic levels may be driven by the pandemic's effects on perceptions of security (economic and otherwise), rather than its actual effects on household income. This issue is clearly illustrated by substantial misclassification of workers based on their

responses to the question of “employed, not at work” versus “on layoff” outlined by the US Bureau of Labor Statistics (2020).

Some of this discrepancy could be alleviated with information from administrative sources. Detailed administrative data on which individuals received CARES Act payments would allow the teams to assess whether their estimates of the contribution of these payments to financial security were correct.

ON THE POSSIBILITY OF RELEVANT COMPOSITION AND CONCEPT DIFFERENCES Differences in the composition of respondents across surveys are another possible source of differing conclusions. In this case, it is possible that the surveys capture respondents who are experiencing the implications of the pandemic differently, leading them to provide conflicting indicators of the overall change in financial security. While this is possible, it seems unlikely. Both teams use data sources that are likely to provide representative estimates for the US population as a whole. Moreover, Han and colleagues show that the poverty declines they identify are, for the most part, very broad based. Notably, they write, “we cannot reject the hypothesis that the declines in poverty are the same for all race or all education groups.” If particular subpopulations were driving the difference between their aggregate results and those in BHS, it should be the case that some significant populations did not experience poverty declines. But this is not the case.

The different picture of COVID-19 impacts on financial security across the two papers could also be the result of surveying on different concepts. The concept of food security, for example, is different from the concept of total annual income over the past twelve months. Changes in the two concepts could be diverging in the pandemic environment. While this is possible in principle, if true, this would mean the COVID-19 recession has deviated from a long-standing pattern. In a typical recession, poverty rates, unemployment, and food insecurity all rise, as shown in Bitler and colleagues. Bitler and colleagues also show that reported food insecurity has in fact risen in line with its patterns in earlier recessions when calibrated against the rise in unemployment. So, although it is possible that income has risen for many lower earning households while at the same time their food security and ability to make timely housing payments has fallen, the historic (and practical) connections between these measures mean the current measurement situation would be very unusual.

CONCLUDING ASSESSMENT AND LESSONS FOR POLICYMAKERS Both sets of authors have a preferred explanation from the three I have outlined.

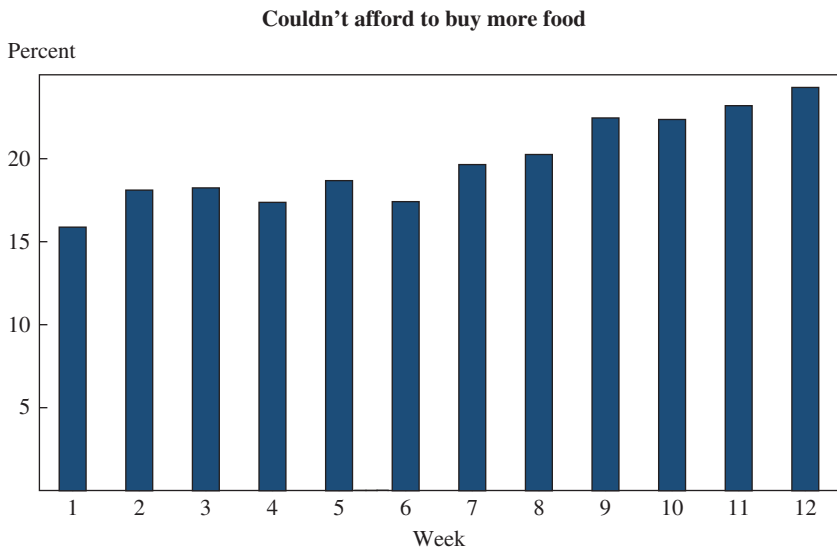
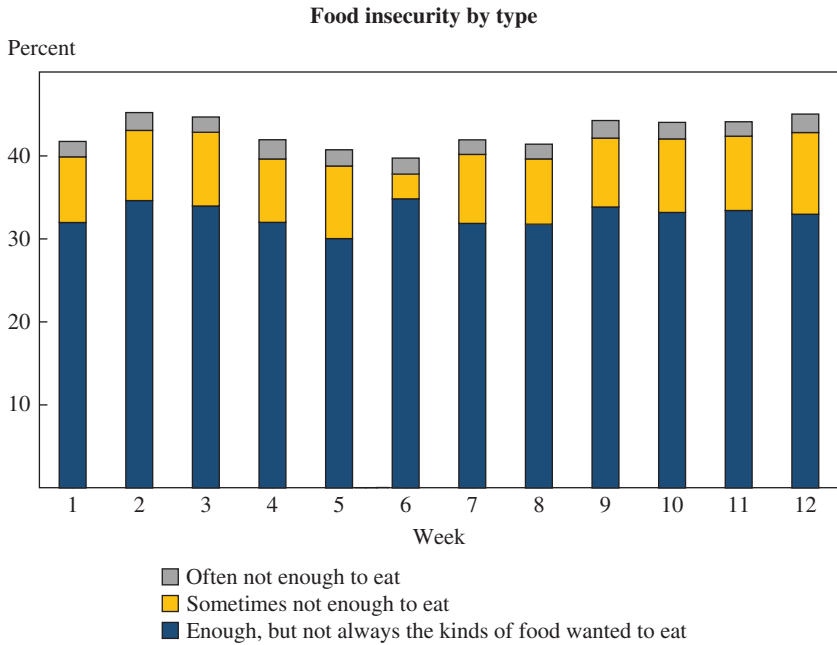
The discussion by Han and colleagues in section VI allows for two explanations—different concepts and wrong-signed signal provided by one of the series—to be true.² Bitler and colleagues seem to favor the different composition explanation. In their section III, they assess the ways in which the payments that Han and colleagues estimate in their earnings simulations may not have been paid out as assumed, for a range of reasons, and find evidence that in spite of significant federal aid, many individuals and households received little. This is broadly similar to arguing that the income series and the deprivation series are picking up changes for different groups of Americans. We are in an environment that—if not entirely unprecedented—is unmatched in the modern data-gathering era. It is therefore probably still too soon to say definitively why these sources are providing different pictures of US household financial security.

However, in addition to the many good points both teams have made, it is also worth considering an explanation from economic theory. Normally, a rise in income for low earners would reduce financial insecurity for those households, leading to declines in food insecurity and improved housing stability. However, this is not a normal time. Instead of using added income on recurring expenses, households may be trying to preserve at least some of their additional income for anticipated coming hardships. With the expiration of federal CARES Act benefits at the end of July, and the ongoing historically elevated unemployment insurance claims, it looks like households who anticipated limited additional federal support and ongoing hardship would have been correct.

Economic theory would have predicted these households would try to smooth the temporary added income they received in the spring. This is not a definitive test, but patterns in food insecurity (figure 1) and delayed housing payments (figure 2) over the course of late April through July suggest this may be the case. These series show little variation in the shares of households facing these situations, despite the phase in and out of substantial portions of the CARES Act benefits payments over this period. This would be the case if households attempted to smooth the additional income they received starting in April. Looking specifically at food insecurity due

2. More precisely, Han and colleagues argue that the survey data showing elevated levels of hardship based on food insecurity and deferred or missed rent and mortgage payments are unreliable as indicators of true hardship for a variety of reasons related to comparability challenges. They suggest instead that “the profound disruptions from the pandemic . . . could lead to increases in hardship” through other channels. However, I find that two major pandemic-era surveys provide evidence highly consistent with one another and with a major pre-COVID-19 source (Swaziek and Wozniak 2020).

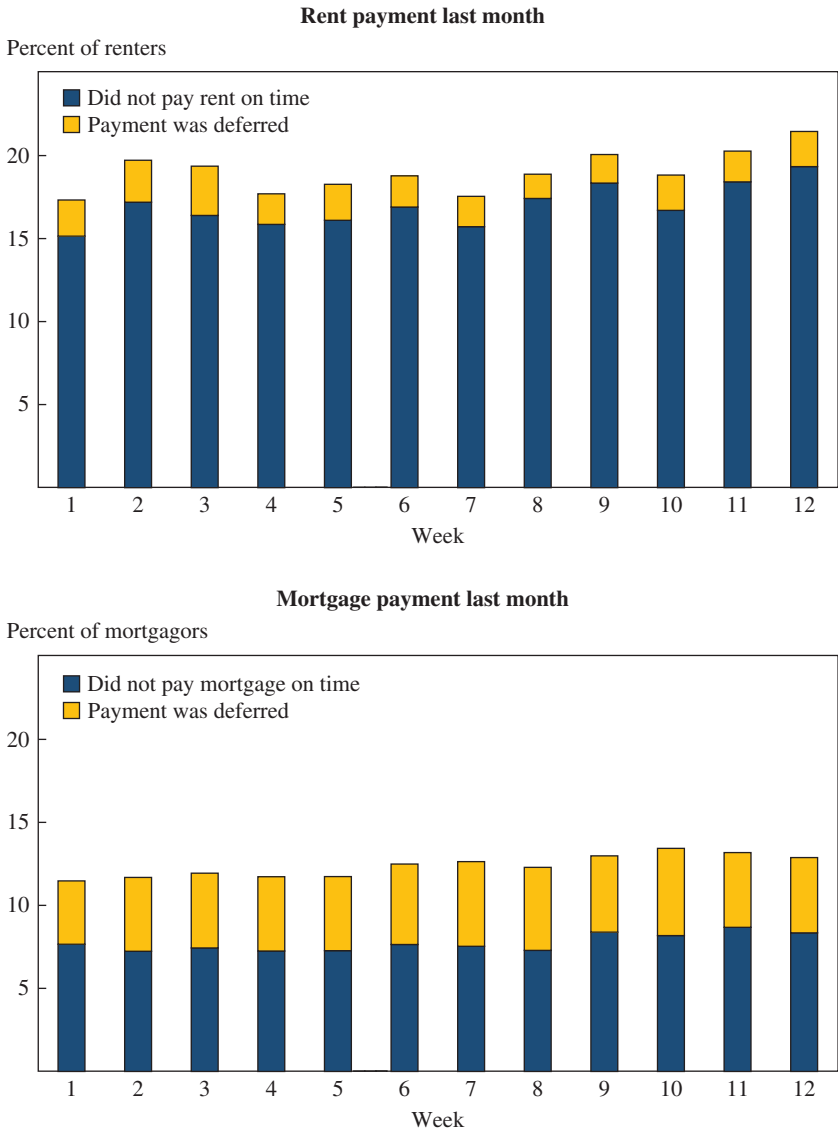
Figure 1. Food Insecurity in the United States during COVID-19



Source: US Census Household Pulse Survey.

Notes: Survey week 1 (April 23–May 5) through week 12 (July 16–21). Top panel: share of all respondents reporting food insecurity, by severity. Bottom panel: share of all respondents listing financial constraints as the reason for their food insecurity.

Figure 2. Housing Expense Insecurity in the United States during COVID-19



Source: US Census Household Pulse Survey.

Notes: Survey week 1 (April 23–May 5) through week 12 (July 16–21).

to financial constraints, the figure shows that, if anything, this begins rising six to eight weeks after the initiation of EIPs and while expanded UI payments were still in place. Also, the share of respondents reporting food insecurity due to supply disruptions (not shown) declines over the same period. These patterns seem at odds with Han and colleagues' suggestion that ongoing pandemic disruptions are more responsible for high levels of food insecurity than is direct financial need. Further evidence suggesting smoothing behavior by households is documented in Cox and others (2020). They find that liquid balances grew for most US households starting in March, and the increase was disproportionately driven by lower-wage earners.

At this point, neither team has a source that can, with great confidence, summarize the financial security position of US households. We must carefully analyze the imperfect signals these data give us and assess whether historic direct financial supports to US households are doing what they are intended to do in real time. The fact that the United States does not have a more robust data infrastructure at this critical time is beyond unfortunate. It means we will get some important questions wrong, with lasting consequences. One lesson from these two papers is that policymakers should consider statistical reform along the lines presented in Heggeness (2020).

Fortunately, in spite of differences, the two projects align on a number of other implications for policymakers. Policymakers should design supports to address known dimensions of distress in an auto-stabilized way, so that support declines only as the economy recovers, rather than leaving households to guess the likely path of future benefits. The data suggest that large shares of Americans are facing food and housing insecurity in spite of massive income infusions. Policies to address this distress should potentially target these basic needs specifically. Bitler and colleagues have many suggestions, particularly for ways to strengthen food supports. Policymakers should also carefully monitor changes in prices that might differentially affect housing and food expenditures, potentially making households less secure on these dimensions even as incomes rise. Finally, efforts to monitor income and other measures of financial security should continue in a robust way through the pandemic, in order to guide ongoing policy decisions.

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GENERAL DISCUSSION Steven Davis commented on the concerning increase in food insecurity during the COVID-19 pandemic, especially considering the recent and substantial expansion of government income support programs. If the data on food insecurity prove correct, Davis noted that the increase is an indictment of unemployment insurance and SNAP policy implementation. He stated that, in his view, the economics profession in general has devoted too little attention to policy execution. The evidence presented here suggests that recent income support policies have failed to meet their goals despite huge expenditures.

Jason Furman questioned to what extent are people not receiving benefits they are eligible for as a result of problems with execution versus to what extent people are not eligible for benefits because of policy design. Furman then furthered his question by remarking that the policy priority could be to continue to operate under the same eligibility criteria and just expand benefits rather than change eligibility.

He also noted that he has heard that lines at food banks may be as long as they are because people are seeking precautionary savings—that people who could afford food are receiving food donations in order to save money in case they can't save later. People are more able to wait in long food bank lines because of the lower opportunity cost of time during the pandemic. Furman asked the authors if these interpretations have any merit in the discussion of increased food insecurity.

Janice Eberly directed the authors to questions in the teleconferencing platform's chat function regarding the large number of unemployed workers who have not received unemployment benefits, according to the survey.

Jay Shambaugh noted, for the paper by Han, Meyer, and Sullivan, that the stimulus checks as authorized by the CARES Act could not go to immigrants or tax households with an immigrant member. He asked the authors how they dealt with this exclusion. He also noted that undocumented immigrants were ineligible for the stimulus checks and unemployment insurance. Shambaugh then mentioned a comment in the paper regarding offsetting biases and wondered if these biases of income support ineligibility were biased toward people living near or far below the poverty line. He remarked that the paper by Bitler, Hoynes, and Schanzenbach presented disproportionate UI nonreceipt at the very low end of the income range and questioned if the authors had imputed benefit income to people who did not receive any benefits.

Shambaugh then asked Diane Schanzenbach how and to what extent food availability and pricing at the beginning of the quarantine, when there were shortages in staples and SNAP-eligible foods at grocery stores, had an impact on food insecurity.

In response to questions regarding the increase in food insecurity, Bruce Meyer argued that there may be many reasons for this trend besides a decline in income. He noted the decline in overall spending and the increase in uncertainty about the future. Meyer acknowledged evidence that the food insecurity measure has problems, including its peculiar time series patterns and inconsistency with other measures of well-being.¹ He argued that researchers should stop measuring unemployment insurance receipt using self-reports because of evidence indicating that people underreport receipt of benefits. Meyer referenced the Current Population Survey's weighted report of receipt and the demonstrated and growing share of recipients that do not report their unemployment insurance income. He noted that this paper's calculations only assume that a fraction of the unemployed received unemployment insurance to match the total dollars paid out according to Treasury totals.

Meyer also responded to concerns about program ineligibility for undocumented immigrants by mentioning that they are less than 3 percent of the American population, according to the latest Pew estimates. He said it is unlikely that in the near future there will be policies directed toward

1. Bruce D. Meyer and James X. Sullivan, "Levels and Changes in Income Poverty, Consumption Poverty and Material Well-Being: A Response to Shaefer and Rivera (2017)," working paper, 2018, https://www3.nd.edu/~jsulliv4/Meyer_Sullivan_response.pdf.

undocumented immigrants and that the group is not large enough to explain overall income patterns. Meyer remarked that there is sensible concern about states being unable to get increased benefits out to people. He also argued that more-targeted policies can address concerns over whom current programs exclude.

Hilary Hoynes responded to the questions about the paper she coauthored. She first addressed the conversation on to what extent people do not receive benefits because they are ineligible. Hoynes referenced Shambaugh's remark on the exclusion of households with an ITIN filer from receiving the relief payments. She also referenced Schanzenbach's comment on UI eligibility rules and noted that lots of people are excluded from income support programs.

Hoynes then addressed questions about the nonreceipt of benefits as a result of implementation problems. She noted that the relief payment went to households that had filed taxes in 2018 and 2019 and to those receiving Social Security or veterans' payments. Hoynes referenced a Center on Budget and Policy Priorities estimate that 12 million individuals were eligible for relief payments but did not receive them.² This group is disproportionately composed of those on SNAP or Medicaid and low earners. She added that implementation with automation can be more effective in providing more people with their benefits by removing administrative hurdles.

Hoynes responded to a question from Peter Ganong in the chat function about how much of the UI slowdown is truly a slowdown versus cases of ineligibility. Hoynes pointed to administrative records and survey data Schanzenbach shared that show the increase in UI receipt, demonstrating the timing delay in implementation. She stated that this timing issue is very important for people facing unemployment. Hoynes mentioned that the best administrative data looking at heterogeneity are from the California Policy Lab, and the data on initial applications and their conversions to payments show the same gradients across disadvantaged groups as they did in previous recessions.³ These gradients are persistent across all US economic cycles, though it is unclear how the challenges of getting online and completing reporting in this instance have affected recent data.

2. Chuck Marr, Kris Cox, Kathleen Bryant, Stacy Dean, Roxy Caines, and Arloc Sherman, *Aggressive State Outreach Can Help Reach the 12 Million Non-Filers Eligible for Stimulus Payments* (Washington: Center on Budget and Policy Priorities, 2020).

3. Thomas J. Hedin, Geoffrey Schnorr, and Till von Wachter, "An Analysis of Unemployment Insurance Claims in California during the COVID-19 Pandemic," policy brief (Los Angeles: California Policy Lab, 2020), <https://www.capolicylab.org/wp-content/uploads/2020/06/June-11th-Analysis-of-CA-UI-Claims-During-the-COVID-19-Pandemic.pdf>.