Supporting Workers and Families in the Pandemic Recession: 2020 Results and 2021 Suggestions

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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.
We review programs that aimed to (1) stabilize employment and employment-based income...

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… and (2) support household balance sheets.

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Main success: Reaching workers, households, and firms through strong payment infrastructures.

- By and large, spending quickly reached intended recipients across the programs we review.
- EIP: Fastest delivery, mostly distributed in under 30 days. Improved over much slower distribution under ARRA.
- UI: Most severe infrastructure problems, but PUC began within 30 days.
- SNAP: Rapid scale up of benefits and rise in rolls.
- PPP, PUA were new, though both built on existing delivery infrastructure.
  - PPP receipt near 100% if applied. 80+ percent of businesses with 5+ employees accessed; 60 percent of those with 1-4 employees. Bankruptcy down.
  - PUA helped drive UI recipiency rate to unprecedented high.
Example: 2020 UI expansions drove recipiency rate to historic high.

DOL Recipiency Rate:

\( \hat{\nu} \) (CPS)

Ruffini and Wozniak, BPEA March 2021 Conference Draft. Figure 1.
Shortcoming: Missing the marginalized.

• Rather than failing to reach intended beneficiaries, spending worked through mechanisms that sometimes failed to include the most marginalized and affected.

• EIP: No mobile money provision. No use of Medicaid, Census data to reach those not in IRS files.
• UI: Likely little income replacement if hours cut. Access issues.
• SNAP: No increase for those already at max benefits.
• PPP: Use of existing financing relationships.
• Eviction Moratorium: Protections, recourse unclear among those likely to use it.
Example: Food and housing insecurity have been persistent through the recovery.

HPS Phases: Phase 1 (April-July), Phase 2 (August-October), Phase 3 (November-December+).

Ruffini and Wozniak, BPEA March 2021 Conference Draft. Figure 2.
Example: UI focus may mean income loss not fully replaced for many affected.

Source: Census Bureau Household Pulse Survey Weeks 24 and 25 Data Tables
Shortcoming: Targeting infrastructure.

- Limited targeting to need was a feature of early 2020 support, but as recovery progressed, only modest targeting incorporated.

- Sectoral nature of employment loss was clear early. Later aid could have targeted by industry of employment. (Ex. in PPP.)

- Additional data sources on marginalized (Medicaid, Census) not exploited.

- Lack of centralized UI software limited targeted adjustment (versus SNAP).
How to phase out this historic support?

• Avoid cliffs, simultaneous benefit expirations. Orderly withdrawal/revision.

• First phase out programs to stabilize employment relationships and employment-based income.
  • PPP, FPUC, PEUC/EB
  • PUA: reform, replace

• Then reduce/remove support to household balance sheets.
  • EIP, SNAP, Eviction moratorium (wild card)
Where have needs been overlooked?

• Mental health effects
  • Support persistent mental health needs through schools, to limit spillover impacts to children.
  • Address acute mental health trauma through VA.

• Learning loss
  • Some ARP funds provided. Potentially needed into 2022 or 2023.

• Persistent health impacts
  • DI access for those with long-term health impacts

• Ongoing virus containment for Covid and future outbreaks
  • Continue to improve testing infrastructure, messaging
  • Shore up supports for those who need to test, isolate