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Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy

Testimony of Sharon Parrott, President, Center on Budget and Policy Priorities, Before the House Committee on the Budget

Chairman Yarmuth, Ranking Member Smith, members of the Committee, thank you for the opportunity to testify before you this morning at this important hearing. I am Sharon Parrott, President of the Center on Budget and Policy Priorities, a nonpartisan research and policy institute in Washington, D.C.

In the following pages, I will discuss the accomplishments of the federal fiscal response to the COVID-19 pandemic and recession and outline its lessons for policymakers.

The COVID relief effort was robust and featured a number of successful policy innovations. As a result, the nation achieved historic gains against poverty and lowered hardship. In 2020, poverty fell by the largest amount in five decades (using the most appropriate annual measure) as a result of direct relief measures like expanded jobless benefits, Economic Impact Payments, and expanded food assistance. And in 2021, relief measures reduced poverty markedly as well, helped people access health coverage, and reduced hardships like the inability to afford food or meet other basic needs based on a variety of data sources. Annual poverty data are not yet available for 2021, but a Columbia University study estimated that the American Rescue Plan *alone* reduced annual poverty that year by more than 12 million people — including 5.6 million children, a reduction in child poverty of 56 percent — compared with poverty without that legislation. These and other projections suggest that the Rescue Plan may turn out to be the most effective single piece of legislation for reducing annual poverty since 1935.

Relief measures included both broad-based policies, like Economic Impact Payments, and policies that targeted those with the greatest needs, like expansions in SNAP benefits, help for those at risk of eviction, and expansions in the Earned Income Tax Credit (EITC) and the Child Tax Credit. (While the child credit expansion was broad based, it also made the full credit available to the lowest-income children for the first time.) Measures targeting those facing the greatest need were critical in preventing spikes in poverty and hardship, and promoted equity in the face of a pandemic and economic crisis that hit Black, Indigenous, and Latino people particularly hard.

The relief measures bolstered the economy, helping make the pandemic recession — which was the deepest of any since World War II — the shortest as well. The unemployment rate, which peaked at 14.7 percent in April 2020, has since fallen to 3.6 percent. Without robust COVID relief measures, including both those enacted in 2020 and the American Rescue Plan, the economy would have recovered more slowly, unemployment would have been higher for longer, and the number of people evicted or experiencing food insecurity would have been higher. Indeed, a Moody's Analytics analysis concluded that in the absence of relief measures, "the economy would have succumbed to a double-dip recession."[1]

Several lessons stand out from the COVID relief effort. First, a rapid, robust, and broad-based fiscal policy response can greatly speed an economic recovery. Second, well-designed relief measures can reduce the harm done by a recession or crisis, preventing spikes in serious forms of hardship. Third, some of the policies adopted in the face of this crisis were shown to be effective at combatting problems that long pre-dated the pandemic and point the way to policy advances the nation should adopt on an ongoing basis. These include policies that:

- Support low-income children, including an expanded Child Tax Credit that provides the full credit to the lowest-income children, increased support for child care, and summer food benefits to prevent an increase in food security when school is out;
- Boost health coverage, including expanding premium tax credits to make marketplace coverage more affordable and increasing continuity of Medicaid coverage;
- Support workers, including an expanded EITC for workers without children at home who are paid low wages, and a revamped unemployment insurance system that protects workers when they lose their jobs and ensures that a temporary job loss does not create a financial crisis for workers and their families; and
- Help low-income households afford housing and avert eviction, such as expanded housing vouchers and eviction prevention assistance.

Despite these impressive results, the federal response was not perfect. Some individuals and families experienced long delays before obtaining benefits, services, and supports. Policymakers allowed aid to stall in the latter part of 2020, leading to unnecessary hardship that could have been avoided with swifter action.

The economy continues to recover at a swift pace, with important labor market measures — jobs restored, unemployment rates, and labor force participation — getting close to pre-pandemic levels. While there are fewer jobs today than we would have expected to have in the absence of the pandemic, hiring remains brisk.

Inflation is high and needs to be brought under control, for the economy overall and for families. Inflation during the pandemic has been multi-faceted and global, and no single factor has been primarily responsible. Supply chain constraints have posed a persistent problem — in part because of COVID variants that have resulted in lockdowns in China and elsewhere — making it more

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[1] Bernard Yaros *et al.,* "Global Fiscal Policy in the Pandemic," Moody's Analytics, February 24, 2022, https://www.moodysanalytics.com/-/media/article/2022/global-fiscal-policy-in-the-pandemic.pdf.

difficult for supply to respond to strong demand for certain goods. Wages have risen, especially for workers in industries that pay lower-than-average wages, but higher labor costs have been a smaller than normal share of the increase in prices we have seen recently, suggesting that issues outside of labor costs are a larger factor in today's inflation. (The rise in real wages in many low-wage industries is a positive development that is helping many workers better afford the basics.) Critics who claim the American Rescue Plan caused the current inflation and was therefore a mistake ignore not only the fact that inflation has multiple causes, but that when the measure was enacted, the sustainability of the recovery was far from certain, and hardship was still widespread. Without the Rescue Plan, the recovery would have been slower, leaving more people without jobs and the ability to support their families, and poverty and hardship substantially higher.

The United States and the world economy have faced an unprecedented disruption caused by a global pandemic. Given the level of disruption — and the Russian invasion of Ukraine, which has led to price spikes in food and energy — we should not be surprised that the recovery would not be entirely smooth.

Moreover, it's important to recognize that relief measures have largely phased down, so fiscal policy is currently *contractionary*, which is appropriate given the strength of the recovery. Over the coming months, that fiscal contraction should help temper inflation.

The Federal Reserve has the primary levers to reduce inflation and the actions it is taking, coupled with the unwinding of relief measures, should slow underlying inflation, though prices for items such as food and energy are largely driven by factors beyond the control of fiscal or monetary policy.

Today's inflation should not be an excuse to further delay action against long-standing policy shortcomings that have resulted in high levels of poverty, lack of affordable health coverage for many, and highly unequal access to opportunity. The nation can afford policy advances that address these issues and can finance them responsibly. Given their size and the fact that they can be paid for, they would not have any meaningful impact on economy-wide inflation or reverse our current contractionary fiscal policy posture. And, failing to address these serious issues has long-term negative consequences not only for individuals but for the country as a whole.

When children don't have economic security — when their families struggle to afford the basics — they are less likely to grow up healthy and succeed in school. Not only does this shortchange their futures, but lack of investing in our children robs the nation as a whole of benefitting from their full potential. A near-term inflation problem is no reason to underinvest in proven strategies that help children thrive.

Relief Measures Were Large, Wide-Ranging, Innovative

When COVID-19 began to rapidly spread across the United States in March 2020, the economy quickly shed more than 20 million jobs. Amid intense fear and hardship, federal policymakers responded, enacting five relief bills in 2020 that provided an estimated $3.3 trillion of relief and the American Rescue Plan in early 2021, which added another $1.8 trillion, helping to quicken economic growth after the recovery had slowed at the end of 2020. This strong policy response helped make the COVID-19 recession the shortest on record and helped fuel an economic recovery that has brought the unemployment rate, which peaked at 14.7 percent in April 2020, down to 3.6 percent today. One measure of annual poverty declined by the most on record in 2020, in data back to 1967, and the number of people without health insurance remained stable, rather than rising as typically happens with large-scale job loss. Various data indicate that in 2021, relief measures reduced poverty, helped people access health coverage, and reduced hardships like inability to afford food or meet other basic needs. (We do not have annual poverty data for 2021 yet.)

The federal response to the pandemic was not only large but also broad in its reach and innovative in its policy approaches. In addition to funding the public health response to the pandemic, such as personal protective equipment, testing, and vaccines, the federal government took a number of steps *for the first time:*

- Providing cash payments to individuals regardless of whether they filed taxes or had a minimum level of income and delivering the payments automatically to tens of millions of recipients of federal benefits as well as those who had filed taxes in either of the last two years.
- Expanding unemployment coverage to a broader group of workers, including part-time and self-employed workers, workers in the gig economy, and workers with less tenure, while also increasing benefit levels substantially more than in the Great Recession and, as in past downturns, increasing the duration of coverage.
- Making the full Child Tax Credit available to the lowest-income children and, building on prior expansions, substantially increasing the credit amount.
- Providing uninterrupted health insurance coverage for Medicaid enrollees across all states and lowering or eliminating premiums for Affordable Care Act (ACA) marketplace enrollees.
- Enacting a national paid leave policy, albeit one with substantial gaps.
- Creating a new emergency school meal replacement program using electronic benefit cards and, building on steps taken during the Great Recession, increasing the value of benefits provided through the Supplemental Nutrition Assistance Program (SNAP) and the WIC nutrition program.
- Establishing a federal eviction prevention program and increasing rental assistance while also, as in the Great Recession, expanding funding for homelessness assistance.
- Providing resources to help shore up child care providers in light of concerns that many were going out of business, while also expanding access to child care assistance to stretched families, building on the child care assistance expansion during the Great Recession.
- Providing fiscal aid to cities, counties, and tribal governments, rather than just providing aid to states.

The federal response also included:

- Providing more substantial fiscal aid to states than in the Great Recession.
- Providing funds for states to provide emergency assistance to help families with children with very low incomes.
- Expanding the EITC for workers without children at home and extending the credit to younger and older workers.

The large, broad, and innovative relief effort has directly strengthened the recovery and reduced hardship.

Poverty and Hardship

It is difficult to overstate the importance of federal relief policies in preventing greater hardship during the twin health and economic crises. The pandemic's unprecedented earnings declines could have triggered suffering unprecedented in the post-World War II era, as well as a more protracted downturn and longer period of high unemployment. While many families had harsh financial ups and downs due to the severity of the crisis and delays and gaps in assistance, relief measures lifted many households' incomes above pre-pandemic levels for the year as a whole, turning a likely spike in poverty into a remarkable overall decline in poverty.

Analysis using the Supplemental Poverty Measure (SPM) — the more comprehensive of the government's two annual poverty measures, which counts both cash and cash-like assistance in determining poverty status[2] — shows that, when government assistance is included, the number of people with annual income below the poverty line fell in 2020 by 10 million from the year before. This was the largest one-year decline in more than 50 years and brought this measure of poverty to its lowest point on record, in data back to 1967.[3] *Without* government assistance, the number of people in poverty would have *risen* in 2020 by 8 million, the second-largest amount on record.[4] Government assistance lifted 53 million people above the poverty line in 2020, well above the previous record of 40 million people in 2009. (The decline in the poverty *rate* was also the largest in more than 50 years. See Figure 1.)

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[2] Unless noted, poverty figures in this report use the Supplemental Poverty Measure (SPM). CBPP analysis of the March Current Population Survey merged with historical SPM data produced by the Columbia Center on Poverty and Social Policy. The poverty threshold is the 2020 SPM poverty threshold, adjusted in prior years for inflation. For methods used, see Danilo Trisi and Matt Saenz, "Economic Security Programs Reduce Overall Poverty, Racial and Ethnic Inequities," CBPP, updated July 1, 2021, https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-reduce-overall-poverty-racial-and-ethnic.

Note that some versions of the SPM use a "relative" poverty threshold that is updated each year for growth in household spending on basic needs and not simply for inflation. Using these relative poverty thresholds would not alter the finding that the 2020 decline in the SPM was the largest in more than 50 years, nor the finding that, when government assistance is *not* included, 2020 experienced the second largest poverty *increase* on record, our analysis finds.

[3] Figures account for all public benefits (including permanent programs such as Social Security, food assistance, rental vouchers, regular state unemployment insurance, and the Earned Income Tax Credit, as well as pandemic programs such as Economic Impact Payments and supplemental unemployment benefits and food assistance), as well as federal and state income taxes and payroll taxes. The decrease in the percentage of people in poverty (from 11.8 percent to 9.1 percent) was also the largest on record.

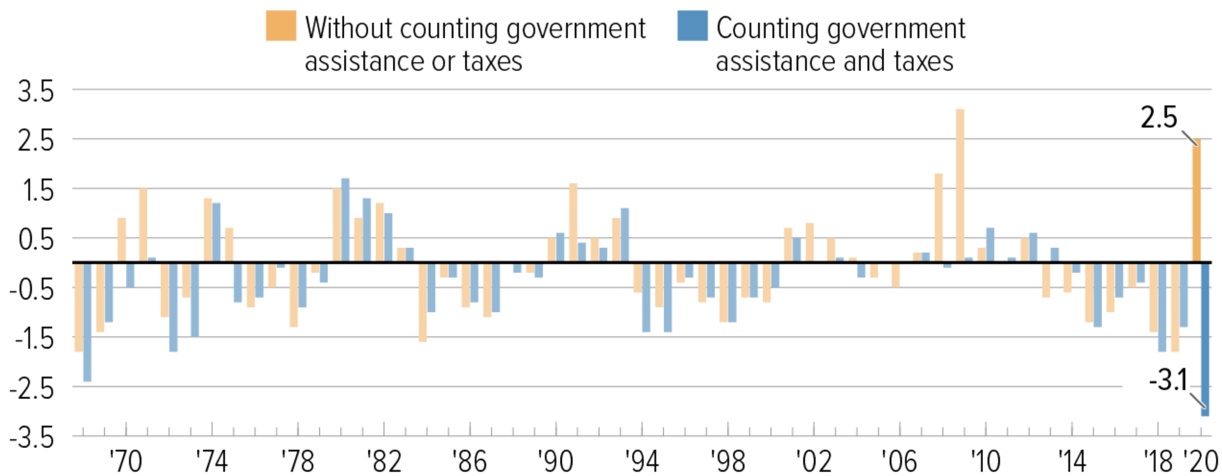
Note that the Census Bureau counts the second Economic Impact Payment, enacted December 27, 2020, as part of families' 2020 income, although Treasury data suggest that families received most if not all of the funds early in 2021. Even if Census had counted this income in 2021 rather than 2020, however, the SPM poverty rate would still have declined in 2020 by the largest amount since 1968 and reached its lowest level since 1967, we estimate.

[4] CBPP analysis of the March 2020 and 2021 Current Population Survey. Figures are based on income before benefits and taxes. The increase in the *percentage* of people in poverty before counting government assistance and taxes (from 22.5 percent in 2019 to 25.3 percent in 2020) was also the second largest on record, with data back to 1967.

FIGURE 1

COVID-19 Relief Achieved Historic Drop in Poverty in 2020; Without Government Assistance, Poverty Would Have Risen Sharply

Percentage point rise or fall in poverty rate from previous year



Note: Figures use Supplemental Poverty Measure (SPM) and 2020 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia Center on Poverty and Social Policy (before 2009) and U.S. Census Bureau (2009 and on, accessed via IPUMS-CPS)

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While final annual poverty figures for 2021 are not yet available, it is clear that relief measures — driven in large part by the American Rescue Plan — will have a sizable impact on reducing poverty; in the absence of those relief measures, poverty would have been markedly higher. According to multiple projections poverty in 2021 is likely to remain well below any pre-pandemic level on record, with data back more than 50 years.

Indeed, a number of preliminary projections suggest that *the American Rescue Plan could prove to be the single most effective piece of legislation since the 1935 Social Security Act* for reducing poverty and economic hardship. (The 2020 CARES Act may come close, and the combination of CARES and the other relief measures enacted in 2020 may well have jointly reduced poverty by more than did the Rescue Plan alone.)

Columbia University researchers estimate that the Rescue Plan's advance Child Tax Credit payments reduced the number of children in monthly poverty in December 2021 by an estimated 3.7 million. (When the payments expired the following month, child poverty snapped back upward by over 40 percent.) And that together with several of the plan's other major provisions — including $1,400-per-person Economic Impact Payments, SNAP benefits, expanded unemployment benefits, EITC for workers without children, and Child and Dependent Tax Credit expansion — the Rescue Plan overall is projected to reduce annual poverty in 2021 by more than 12 million people when compared with poverty without this aid. That includes 5.6 million children kept out of poverty by the Rescue Plan, a reduction in child poverty of 56 percent.[5]

Indications of the potency of the policy response in reducing hardship include the following:

- Major measures of food hardship held steady, despite record job losses. The rate of food insecurity in 2020 (the latest year for which the Department of Agriculture (USDA) has detailed annual data) was statistically unchanged from 2019. Less detailed weekly data from the Census Bureau showed the number of adults reporting that their household did not get enough to eat in the last seven days fell sharply in 2021 after each of a number of infusions of relief payments, including the Economic Impact Payments and monthly Child Tax Credit benefits provided by the American Rescue Plan.[6]
- Medicaid enrollment increased by over 16 million from February 2020 to February 2022 due to relief provisions that provided continuity of coverage, and ACA marketplace enrollment grew by more than 3 million from 2020 to 2022. Without these measures, the number of people without health coverage during a pandemic almost certainly would have risen.
- Despite significant administrative challenges, millions of people received jobless benefits because of temporary eligibility expansions and tens of millions received increased benefits. Jobless benefits kept 5.5 million out of poverty in 2020, Census data show. In 2021, the Urban Institute projected, unemployment benefits overall would keep 6.7 million people above the poverty line in 2021, and the Rescue Plan's expansion of these benefits alone would lower poverty from 13.7 percent to 12.6 percent or by more than 3 million people.[7]
- There was no surge in evictions in 2021 when the national eviction moratorium was lifted even though millions of people were behind on paying their rent. This is due both to relief measures overall that helped households make ends meet and brought back jobs more quickly and to critical housing-specific measures. More than 5.7 million households received emergency rental assistance from January 2021 through April 2022 to help them with past-due and current rent bills, forestalling eviction for many.

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[5] Zachary Parolin *et al.,* "Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022," Columbia University Center on Poverty and Social Policy, Vol. 6, No. 2, February 17, 2022, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/620ec869096c78179c7c4d3c/1645135978087/Monthly-poverty-January-CPSP-2022.pdf; Zachary Parolin *et al.,* "The Potential Poverty Reduction Effect of the American Rescue Plan," Center on Poverty and Social Policy at Columbia University, March 11, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6113eddb3cde100cb68904ee/1628696027691/Poverty-Reduction-Analysis-American-Rescue-Plan-CPSP-2021.pdf.

An analysis by the Urban Institute found an even larger reduction in 2021 poverty from the Rescue Plan. Laura Wheaton *et al.*, "2021 Poverty Projections: Assessing Four American Rescue Plan Policies," Urban Institute: March 2021, https://www.urban.org/research/publication/2021-poverty-projections-assessing-four-american-rescue-plan-policies.

[6] Patrick Cooney, H. Luke Shaefer, and Samiul Jubaed, "Material Hardship and Well-Being of U.S. Households At the End of 2021," University of Michigan Poverty Solutions, March 2022, http://sites.fordschool.umich.edu/poverty2021/files/2022/03/PovertySolutions-Material-Hardship-2021-March2022.pdf.

[7] Laura Wheaton, Linda Giannarelli and Ilham Dehry, "2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures," Urban Institute, July 2021, https://www.urban.org/sites/default/files/publication/104603/2021-poverty-projections_0_0.pdf; Laura Wheaton *et al.,* "2021 Poverty Projections: Assessing Four American Rescue Plan Policies," Urban Institute: March 2021, https://www.urban.org/sites/default/files/publication/103794/2021-poverty-projections-assessing-four-american-rescue-plan-policies_0_0.pdf.

Examining real-time hardship and consumer spending data, many analysts have noted the policies' powerful influence.[8] The share of adults in households without enough to eat in the last seven days fell a statistically significant amount on three occasions after federal aid was distributed:

- In early January 2021, after the Treasury Department delivered Economic Impact Payments (EIPs) worth $600 per person (starting December 29), the share of adults with children in food-insufficient homes, where someone did not have enough to eat in the past seven days, fell one-sixth.
- In late March 2021, after the Treasury Department disbursed EIPs made available through the American Rescue Plan worth $1,400 per person (starting mid-month), food insufficiency for adults with children fell one-fourth.
- In late July 2021, after the Treasury Department made the first payment (on July 15) of the expanded Child Tax Credit worth up to $300 a month per child and newly available to many of the lowest-income children, food insufficiency reported by adults with children fell significantly and rapidly. Numerous analyses, drawing on multiple sources and types of data, attribute the improvement to the Rescue Plan's Child Tax Credit monthly payments.[9]

The economic fallout from the pandemic was especially severe for workers in low-wage sectors of the economy, such as restaurants and hospitality, in which people of color and women are overrepresented (as discussed more below). Black and Latino people entered the pandemic with lower income and fewer assets due to structural racism and discrimination, which have limited

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[8] See, for example, Patrick Cooney and H. Luke Shaefer, "Material Hardship and Mental Health Following the Covid-19 Relief Bill and American Rescue Plan Act," University of Michigan Poverty Solutions, May 2021, http://sites.fordschool.umich.edu/poverty2021/files/2021/05/PovertySolutions-Hardship-After-COVID-19-Relief-Bill-PolicyBrief-r1.pdf; Paul R. Shafer *et al.,* "Association of the Implementation of Child Tax Credit Advance Payments With Food Insufficiency in US Households," *JAMA Network Open,* January 13, 2022, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2788110; Lauren Bauer, Krista Ruffini, and Diane Whitmore Schanzenbach, "An Update on the Effect of Pandemic-EBT on Measures of Food Hardship," Brookings Institution Hamilton Project, September 29, 2021, https://www.hamiltonproject.org/blog/an_update_on_the_effect_of_pandemic_ebt_on_measures_of_food_hardship; Zachary Parolin *et al.,* "The Initial Effects of the Expanded Child Tax Credit on Material Hardship," Columbia University Poverty and Social Policy Working Paper, September, 20, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6148c84a76d7c27c418bcd13/1632159820347/Child-Tax-Credit-Expansion-on-Material-Hardship-CPSP-2021.pdf; Michael Karpman *et al.*, "Child Tax Credit Recipients Experience a Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021," Tax Policy Center, May 2022, https://www.urban.org/research/publication/child-tax-credit-recipients-experienced-larger-decline-food-insecurity-and; Patrick Cooney, H. Luke Shaefer, and Samiul Jubaed, "Material Hardship and Well-Being of U.S. Households At the End of 2021," University of Michigan Poverty Solutions, March 2022, http://sites.fordschool.umich.edu/poverty2021/files/2022/03/PovertySolutions-Material-Hardship-2021-March2022.pdf; Elizabeth Adams *et al.*, "Patterns of Food Security and Dietary Intake During the First Half of the Child Tax Credit Expansion," *Health Affairs*, Vol. 41, No. 5, May 2022, https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.01864; Allison Bovell-Ammon *et al.*, "The Child Tax Credit Benefits Whole Families: Preliminary Data Show Improved Food Security and Parental Health," Children's HealthWatch, May 2022, https://childrenshealthwatch.org/wp-content/uploads/Childrens-HealthWatch-Preliminary-CTC-findings-vf.pdf.

[9] For adults without children, food insufficiency also declined after the EIP payments (which they received) but not after the start of the monthly Child Tax Credit payments (which they did not receive), consistent with the conclusion that these and other relief policies eased hardship. Studies linking the Child Tax Credit payments with declines in hardship include Shafer *et al.* (2022), Cooney *et al.* (2022), Parolin *et al.* (2021), Karpman *et al.* (2022), and Adams *et al.* (2022).

opportunities for people of color in employment, housing, education, and other areas. This meant that many elements of the pandemic response that targeted those with the greatest need had particularly large, positive impacts on Black and Latino people.

At the same time, many relief measures excluded some immigrants, who are important members of our communities and who were particularly affected by the pandemic and recession, and immigrants and their families often feared receiving help they qualified for. The American Rescue Plan helped by expanding access to Economic Impact Payments — providing them to people with Social Security numbers who lived with others without an SSN — and the Biden Administration has taken steps to reduce fear among immigrants and their families so that they don't forgo help they need and qualify for.

Surveying the relief policies' impacts on hardship, H. Luke Shaefer of the University of Michigan wrote:

> None of these programs have worked perfectly. Some people were unable to get on unemployment insurance, some did not receive their EIP, and some eligible families have still not received their child tax credit payments. Yet, on the whole, the vast majority of Americans were able to access these critical supports, that together formed a robust, cash-based safety[-net] unlike anything we've seen before. A safety-net that buoyed households during a time of widespread joblessness, and prevented the economy from slipping into a prolonged recession. While we should always think about the ways that we can do better, I think it is also critical to recognize the successes we have had. *This is the best, most successful response to an economic crisis that we have ever mounted, and it is not even close.*[10] (Emphasis added.)

Macroeconomic Impacts

The spread of COVID-19 triggered the deepest recession since World War II. Policymakers' rapid, powerful response was instrumental in turning the economy around. (See Figure 2.)

Federal relief measures in the U.S. were larger as a share of GDP than in most European countries and Japan, and the U.S. has gotten back to pre-pandemic levels of economic activity faster.[11] The path of the recovery in 2020 and 2021 largely tracked the policy response, though shifts in the virus and in restrictions on economic activity also had an impact. Following enactment of the CARES Act in March 2020, the economy grew strongly[12] and by mid-summer, the jobs deficit had been cut in half. However, around the time the federal supplement to weekly unemployment benefits expired at the end of July — and COVID cases then rose substantially from mid-September

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[10] H. Luke Shaefer, Testimony Before the Select Subcommittee on the Coronavirus Crisis Hearing on the Impact of Pandemic Response, September 22, 2021, https://docs.house.gov/meetings/VC/VC00/20210922/114055/HHRG-117-VC00-Wstate-ShaeferH-20210922.pdf.

[11] Gian Maria Milesi-Ferretti, "A most unusual recovery: How the US rebound from COVID differs from rest of G7," Brookings Institution, December 8, 2021, https://www.brookings.edu/blog/up-front/2021/12/08/a-most-unusual-recovery-how-the-us-rebound-from-covid-differs-from-rest-of-g7/#cancel.

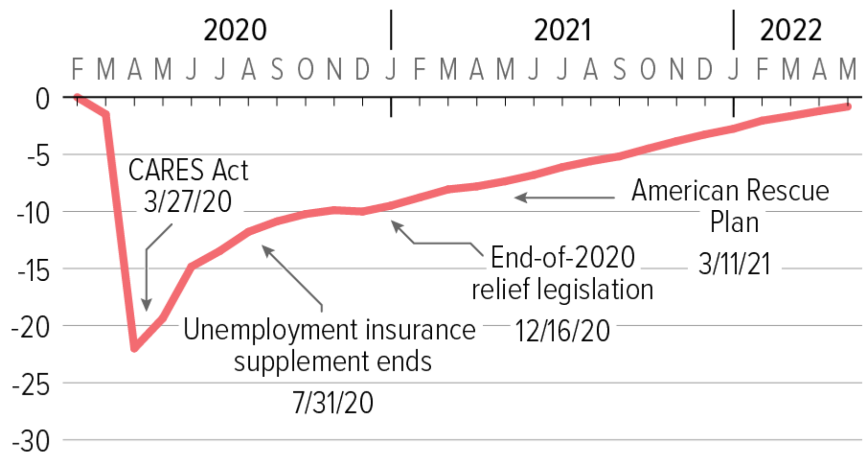
[12] The National Bureau of Economic Research (NBER), the acknowledged arbiter of business dating, has determined that the pandemic recession lasted two months, from the previous peak in February 2020 through April 2020. On a quarterly basis, NBER determined that the recession lasted two quarters, from the previous peak in the fourth quarter of 2019 through the second quarter of 2020.

through the end of the year — job growth slowed, and remained slow until the end of 2020, when Congress passed another major relief package. With that package and the American Rescue Plan in March 2021, as well as progress against the virus, job growth picked up, averaging 540,000 per month between December 2020 and May 2022.

FIGURE 2

Relief Legislation Key to Solid Jobs Recovery

Change in payroll employment since February 2020, in millions of jobs



Note: The Goldman Sachs Effective Lockdown Index for the United States is a combination of official restrictions and actual mobility data from the U.S. economy.

Sources: Bureau of Labor Statistics

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A Moody's Analytics analysis finds that in the absence of relief measures, "the economy would have succumbed to a double-dip recession," and unemployment, particularly among low-paid workers, would be significantly higher. And without the Rescue Plan, but if the other relief packages had been enacted, the U.S. still would have "come close to suffering a double-[dip] recession in spring 2021."[13]

The pattern of job loss and recovery has varied widely across industries, occupations, and demographic groups. A Congressional Budget Office (CBO) analysis found that just 11 out of 264 private industries accounted for about *half* of the job losses in the downturn and about half of the rebound in employment over the next 12 months, with restaurants and other food services accounting for the largest decline and rebound.[14] In general, women, workers of color, workers without a bachelor's degree, and foreign-born workers were employed in the industries and occupations most affected by the pandemic. These workers had greater job losses in the recession

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[13] *Yaros et al., op. cit.*

[14] Congressional Budget Office, "Additional Information About the Updated Budget and Economic Outlook: 2021 to 2031," July 2021, Figure 2-1, https://www.cbo.gov/publication/57373#_idTextAnchor084.

than workers who were white, native born, and four-year college graduates, but also substantial bounce-backs in the robust, relief-fueled recovery.[15]

The strong recovery and tight labor markets have produced rapid nominal wage growth over the past two years, especially for the lowest-paid workers, which has offset some of the effects of recent inflation. For workers in many low-paid jobs, in fact, wage increases appear to have modestly exceeded inflation over this period. [16]

In the 12 months ending in April, average annual earnings in 18 industries with 34 million non-management jobs of the total of 126 million payroll jobs grew faster than the 8.3 percent rise in the consumer price index (CPI), according to an analysis of industries ranked by average hourly earnings. (Employment was averaged over the 12 months ending in April.) Nine of those industries, with a total of 18 million jobs, were in low-paid industries that experienced the largest and most sustained job losses since February 2020.

However, inflation is high and is causing strain on families. CBO's most recent projections show inflation remaining elevated but gradually coming down over the course of 2022 and 2023. The pandemic economy has been like no other, with fluctuations in the demand and supply of goods, services, and labor. Blaming inflation solely on the demand created by pandemic relief programs, which supported struggling families and unemployed workers and supported spending that promoted a robust recovery, is misguided. Inflation emerged for a number of reasons, including supply constraints that created shortages that in turn led to price increases. In particular, constraints in meeting demand for goods relative to services contributed to rising inflation, as have shortages of intermediate goods like computer chips. Those constraints often stem from the health crisis itself, which hampered production of some key goods (and continues to cause supply shortages of some goods today). More recently, inflation has been driven in part by the Russian invasion of Ukraine, which has significantly affected energy and food prices globally and in the U.S., and by virus-related shutdowns in China.

Nor is high inflation confined to the United States. Inflation is at the highest rate in decades in the euro area, the U.K., and Canada. U.S. consumer prices have risen by 8.3 percent in the last year, but they also are up 8.1 percent in the euro area[17] and 9 percent in the U.K.[18] While the timing and causes of inflation in the U.S. and in Europe are not the same, inflation is far from limited to the U.S.

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[15] The recovery from the large job losses between February 2020 and April 2020 has generally been largest for the same groups that experienced the deepest losses, but in many cases, all of the recession losses have not yet been made up. For example, while the share of Hispanic workers with a job in December 2021 was 0.3 percent higher than in February 2020, Hispanic women's employment was still 0.6 percent below what it was in February 2020.

[16] Employment Cost Index calculations reported in Jason Furman and Wilson Powell III, "US wages grew at fastest pace in decades in 2021, but prices grew even more," Peterson Institution for International Economics, January 28, 2022, https://www.piie.com/blogs/realtime-economic-issues-watch/us-wages-grew-fastest-pace-decades-2021-prices-grew-even-more.

[17] Eurostat, European Union, "Flash estimate – May 2022, Euro area annual inflation up to 8.1%," May 31, 2022, https://ec.europa.eu/eurostat/documents/2995521/14636256/2-31052022-AP-EN.pdf/3ba84e21-80e6-fc2f-6354-2b83b1ec5d35.

[18] Trading Economics, "United Kingdom Inflation Rate," May 2022, https://tradingeconomics.com/united-kingdom/inflation-cpi.

Some have sought to blame rising labor costs for recent inflation, but the contribution of labor costs to recent price increases has been much lower than normal, while the contribution of corporate profits has been much higher than normal.[19] This strongly indicates that a substantial share of inflation is being caused by factors outside of labor market issues. The share of the population with a job and the labor force participation rate among prime-age workers have continued to recover and are now quite close to pre-pandemic levels, which themselves were higher just before the pandemic than at any time since 2001 and 2008, respectively.

The Federal Reserve has declared its commitment to bringing inflation down and has the tools to slow aggregate demand growth while remaining attentive to its dual mandate from Congress to promote both stable prices and maximum employment. In December 2021, the Fed announced plans to taper and eventually end quantitative easing and to begin raising its target range for the federal funds rate, and it began implementing those policies starting in March 2022. In May the Fed raised its target federal funds range to 0.75 to 1.0 percent and in June it began reducing its holdings of long-term assets, initiating a policy of quantitative tightening.

Lowering inflation is necessary, but it is important to consider what the state of the economy would have been over the course of the crisis — and the amount of hardship that families would have faced — if the nation hadn't enacted robust relief measures, including the American Rescue Plan. The Moody's analysis noted above found that without these measures, the recovery would have been far slower and weaker, high unemployment would have been far more protracted, and as a result, hardship far worse.[20] The Moody's analysis also points to the importance of the American Rescue Plan in bolstering the recovery in 2021 and bringing about a more rapid jobs recovery. And supply constraints likely would have raised inflation above pre-pandemic rates for a while in any case, as would the impact of the Russian invasion.

The federal response to the COVID-19 pandemic helped tens of millions of people get adequate food, shelter, and medical care and cover other basic household expenses during the crisis while also sparking a historically rapid recovery from recession. Higher inflation today is preferable to a more protracted recession that left more people unable to pay their bills and more businesses shuttered, economist Paul Krugman (among others) has argued.[21]

What Specific Policies Achieved

Child Tax Credit. The American Rescue Plan included a one-year expansion of the Child Tax Credit that increased the maximum credit amount (to $3,600 for children under age 6 and $3,000 for children aged 6 to 17), made the full credit available to children in families with low or no earnings in the year (often called making it "fully refundable"), allowed families to claim their 17-year-old children for the first time, and delivered half of the credit via advance monthly payments rather than

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[19] Josh Bivens, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Economic Policy Institute, April 21, 2022, https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/

[20] Yaros *et al., op. cit.*

[21] See, for example, Paul Krugman, "The Secret Triumph of Economic Policy," *New York Times,* January 13, 2022, https://www.nytimes.com/2022/01/13/opinion/pandemic-economic-recovery.html.

entirely as a lump sum at tax time.[22] The Treasury Department issued monthly Child Tax Credit payments to over 61 million children in December 2021.[23]

These payments sharply reduced monthly child poverty, with full refundability almost certainly being the main driver of that poverty reduction. In December 2021, by which time most families had received half the credit through advance monthly payments, the payments kept an estimated 3.7 million children out of poverty (using a monthly poverty measure), a 29 percent reduction that was reversed when the credit expired the following month.[24] The vast majority of families with low incomes spent their payments on necessities — food, housing, clothing, utilities — and education, data from the Census Bureau's Household Pulse Survey show.[25] (See Figure 3.) Reported food insufficiency dropped significantly and rapidly after the first round of monthly payments, according to Pulse data. There is no evidence the payments negatively affected parental employment.[26]

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[22] These larger credit amounts start to phase down to $2,000 for families with incomes above $112,500 for a head of household and $150,000 for a married couple. The $2,000 credit starts to phase down for families with incomes above $200,000 for a head of household and $400,000 for a married couple.

[23] Department of the Treasury, "By State: Advance Child Tax Credit Payments Distributed in December 2021," December 15, 2021, https://home.treasury.gov/system/files/131/Advance-CTC-Payments-Disbursed-December-2021-by-State-12152021.pdf.

[24] Zachary Parolin, Sophie Collyer, and Megan A. Curran, "Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December," Columbia University Center on Poverty and Social Policy, Vol. 6, No. 1, January 18, 2022, https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/61ea068f13dbfa56bfc9be17/1642727056209/Monthly-poverty-December-2021-CPSP.pdf; Parolin *et al.* (February 2022), *op. cit.* Note that monthly and annual poverty-reduction calculations differ. The estimated monthly poverty impact of the expanded Child Tax Credit, for instance, does not include the lump-sum payments received at tax time, so monthly poverty reductions understate the eventual full-year effect of the credit.

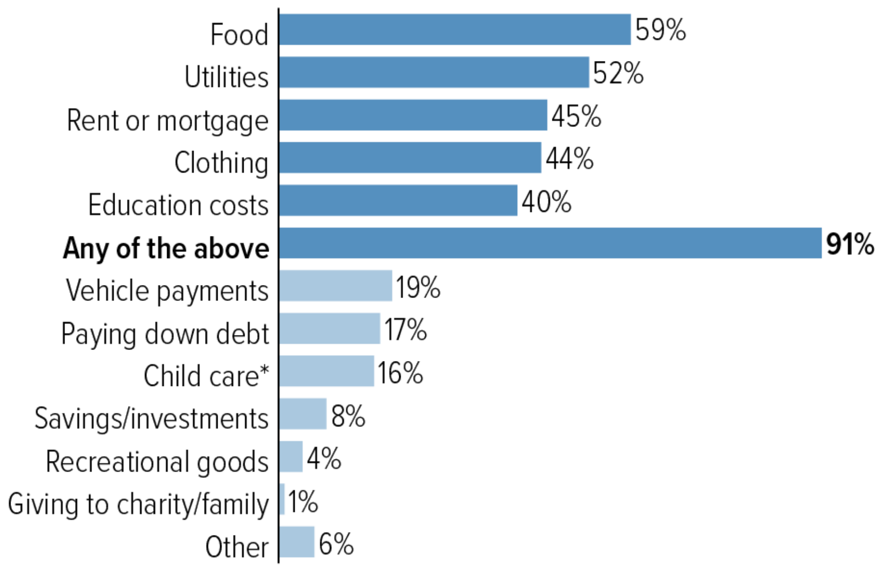
[25] Claire Zippel, "9 in 10 Families With Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education," CBPP, October 21, 2021, https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education.

[26] Megan A. Curran, "Research Roundup of the Expanded Child Tax Credit: The First 6 Months," Columbia University Center on Poverty and Social Policy, Vol. 5. No. 5, December 22, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf.

FIGURE 3

Families With Low Incomes Spent Expanded Child Tax Credit on Basic Needs, Education

Percent of households with incomes below $35,000 who spent their credit payments on:



*Percent of households with child(ren) under age 5.

Note: Education costs include school books and supplies, school tuition, tutoring services, after-school programs, and transportation for school. Household income is in 2020. Figures are for households who reported receiving a Child Tax Credit payment in the last 30 days in data collected July 21–September 27, 2021.

Source: CBPP analysis of U.S. Census Bureau Household Pulse Survey public use files for survey weeks 34-38

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Making the credit fully refundable also reduced racial and geographic income disparities. Prior to the Rescue Plan, an estimated 27 million children — including about half of Black children, half of Latino children, and about one-fifth of white children[27] — received less than the full credit or no credit at all because their families' incomes were too low.[28] Roughly half of children in rural (that is, non-metropolitan) areas also received less than the full credit or none at all. The fully refundable credit made these previously excluded children eligible.

The Rescue Plan's improvements in the Child Tax Credit also reached all five U.S. Territories — Puerto Rico, Guam, U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands — which together are home to nearly 4 million U.S. residents. Not only did the Rescue Plan extend its

[27] Sophie Collyer, David Harris, and Christopher Wimer, "Left behind: The one-third of children in families who earn too little to get the full Child Tax Credit," Center on Poverty & Social Policy at Columbia University, May 14, 2019, https://www.povertycenter.columbia.edu/news-internal/leftoutofctc.

[28] Kris Cox *et al.,* "If Congress Fails to Act, Monthly Child Tax Credit Payments Will Stop, Child Poverty Reductions Will Be Lost," CBPP, updated December 3, 2021, https://www.cbpp.org/research/federal-tax/if-congress-fails-to-act-monthly-child-tax-credit-payments-will-stop-child.

temporary expansions of the credit to the territories, it also permanently erased long-standing discriminatory barriers that had prevented the bulk of families with children in the territories from accessing the credit. Together, these changes will significantly reduce child poverty in the territories, which is much higher than in the rest of the country.[29]

Health coverage. In the early days of COVID-19, several independent analyses projected that tens of millions of people would lose employer-based coverage and 2.9 to 8.5 million would become uninsured.[30] Such losses would have created especially severe risks in a pandemic, as uninsured adults are much more likely to delay or forgo needed medical care.[31] Largely due to federal relief legislation, however, coverage has remained mostly stable since the pandemic began.[32]

Since March 2020, states have received an increase in federal Medicaid funding if they maintain continuous coverage for Medicaid enrollees, rather than conducting annual benefit redeterminations as is normally required for most enrollees. This largely eliminated coverage losses due to administrative "churn" (that is, due to individuals' inability to navigate the administrative requirements or glitches in state processes). It also allowed people to maintain Medicaid coverage who otherwise would have become ineligible due to a change in their income, age, or status, such as a pregnant woman losing coverage shortly after giving birth.

All states have participated. As a result, Medicaid and Children's Health Insurance Program (CHIP) enrollment grew by 16 million from March 2020 to February 2022, reaching a record 87.4 million.[33] The continuous coverage provision likely played a particular role in advancing racial equity, as Black and Latino people are disproportionately enrolled in Medicaid and Latino people experience particularly frequent gaps in Medicaid coverage.[34]

The American Rescue Plan temporarily increased the value of premium tax credits and expanded eligibility in the ACA marketplaces, leading to a 19 percentage point increase in the number of

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[29] Javier Balmaceda, "Tax Credit Expansions Expected to Significantly Reduce Poverty in Puerto Rico," CBPP, March 14, 2022, https://www.cbpp.org/blog/tax-credit-expansions-expected-to-significantly-reduce-poverty-in-puerto-rico.

[30] Jessica Banthin and John Holahan, "Making Sense of Competing Estimates: The COVID-19 Recession's Effects on Health Insurance Coverage," Urban Institute, August 2020, https://www.urban.org/sites/default/files/publication/102777/making-sense-of-competing-estimates_1.pdf.

[31] Jared Ortaliza *et al.*, "How Does Cost Affect Access to Care?" Peterson-KFF Health Systems Tracker, January 14, 2022, https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/.

[32] Joel Ruhter *et al.,* "Tracking Health Insurance Coverage in 2020-2021," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 29, 2021, https://aspe.hhs.gov/reports/tracking-health-insurance-coverage.

[33] Medicaid.gov, "Monthly Medicaid & CHIP Application, Eligibility Determination, and Enrollment Reports & Data," https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-chip-enrollment-data/monthly-medicaid-chip-application-eligibility-determination-and-enrollment-reports-data/index.html. February 2022 data are preliminary.

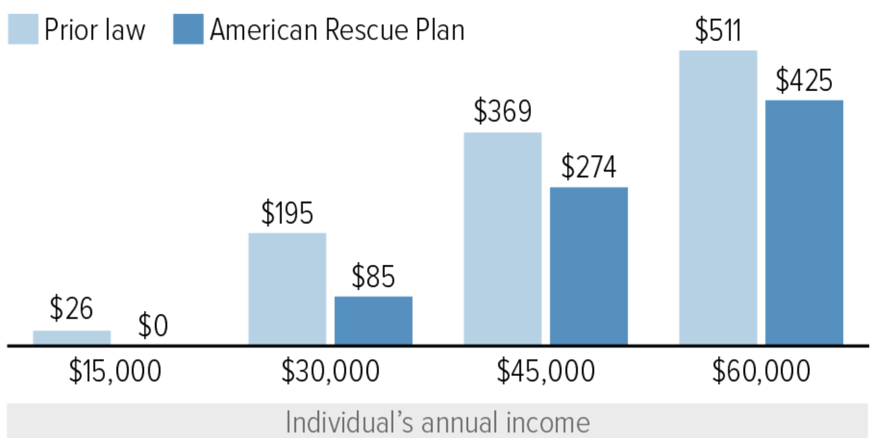
[34] Gideon Lukens, "Medicaid Coverage Gap Affects Even Larger Group Over Time Than Estimates Indicate," CBPP, September 3, 2021, https://www.cbpp.org/sites/default/files/9-3-21health.pdf. Black and Latino people are more likely to be enrolled in Medicaid largely because they are more likely to live in low-income families, a legacy of unequal opportunities due to racism and discrimination. It is unclear why Latino people experience more frequent disruptions in Medicaid coverage, but reasons could include higher rates of income volatility or administrative obstacles to renewing coverage.

uninsured people eligible for zero-premium plans.[35] (See Figure 4.) As marketplace coverage became more affordable and the Administration expanded outreach efforts, a record 14.5 million people selected marketplace plans during the 2022 open enrollment period, up from 12 million in 2021 and 11.4 million in 2020. For marketplace enrollees who used HealthCare.gov during the 2022 open enrollment period, average monthly premiums fell by 23 percent as compared to premiums charged during the 2021 open enrollment period before the Rescue Plan reductions.[36]

FIGURE 4

American Rescue Plan Made Marketplace Coverage More Affordable

Monthly premium for benchmark marketplace coverage for a 45-year-old, based on national average premium, 2021



Note: These premiums are applicable in all states except for those with different poverty level standards than the national standard (Alaska and Hawai'i) and those states that subsidize marketplace premiums beyond the federal subsidy (California, Massachusetts, New York, and Vermont).

Source: CBPP calculations based on American Rescue Plan

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Largely due to these Medicaid and ACA marketplace provisions, the uninsured rate did not increase in 2020 or 2021, which is highly unusual for a major economic downturn, (and preliminary

[35] D. Keith Branham *et al.,* "Access to Marketplace Plans with Low Premiums on the Federal Platform: Part II," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, April 1, 2021, https://aspe.hhs.gov/reports/access-marketplace-plans-low-premiums-uninsured-american-rescue-plan. Estimates are for uninsured non-elderly adults potentially eligible for marketplace coverage in Healthcare.gov states.

[36] "Marketplace 2022 Open Enrollment Period Report: Final National Snapshot," Centers for Medicare & Medicaid Services (CMS), January 27, 2022, https://www.cms.gov/newsroom/fact-sheets/marketplace-2022-open-enrollment-period-report-final-national-snapshot; Marketplace Open Enrollment Period Public Use Files, 2020 and 2021; "Biden-Harris Administration Announces 14.5 Million Americans Signed Up for Affordable Health Care During Historic Open Enrollment Period," CMS, January 27, 2022, https://www.cms.gov/newsroom/press-releases/biden-harris-administration-announces-145-million-americans-signed-affordable-health-care-during.

data suggest it may even be lower now than before the pandemic. In 2021, an estimated 30.0 million people were uninsured, compared to 31.6 million in 2020 and 33.2 million in 2019.[37]

While the health coverage measures helped millions of people, a significant gap remained: low-income adults in states that refused to adopt the Medicaid expansion continued to lack access to affordable health coverage. Some 2 million people who should be covered by Medicaid are uninsured because their states have refused to adopt the Medicaid expansion. This left a hole in our pandemic response and is a policy that needs to be fixed permanently.

Unemployment insurance. Responding to rapid job losses as the pandemic spread, Congress passed the most expansive set of temporary unemployment benefits in our nation's history. These steps were necessary largely because the permanent unemployment insurance (UI) system does not cover many unemployed workers and often provides inadequate benefits. The temporary programs significantly increased the coverage, duration, and adequacy of unemployment benefits compared to regular UI. These expansions were not without challenges: there were frequent delays in delivering benefits, in part due to lack of investment in technology modernization prior to the crisis, which left states unprepared for the large volume of claims. Additionally, criminal organizations used stolen identities to claim fraudulent benefits, especially before new documentation safeguards were put in place in the Pandemic Unemployment Assistance (PUA) program. (PUA was designed to provide benefits for those not covered by the regular UI program, including self-employed and "gig" workers.) Nevertheless, the expansions substantially reduced hardship and provided important stabilization and impetus for recovery for a sharply declining economy.[38]

Before the pandemic, the regular federal-state UI system was providing coverage to less than a third of jobless workers and on average replacing only about 40 percent of lost wages for those who received benefits. Without the temporary pandemic expansions, about 5 million more people would have had annual income below the poverty line in 2020 (and potentially 6 million more in 2021);[39] many additional millions would have had less money for food, shelter, and other necessities for their families; the jobs rebound that far surpassed initial projections would have lost steam; tens of

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[37] Robin A. Cohen and Amy E. Cha, "Health Insurance Coverage: Early Release of Quarterly Estimates From the National Health Interview Survey, July 2020-September 2021," Centers for Disease Control and Prevention (CDC), January 2022, https://www.cdc.gov/nchs/data/nhis/earlyrelease/Quarterly_Estimates_2021_Q13.pdf; Robin A. Cohen *et al.,* "Health Insurance Coverage: Early Release of Estimates From the National Health Interview Survey, 2020," CDC, U.S. Department of Health and Human Services, August 2021, https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur202108-508.pdf.

[38] The new federal initiatives had three major elements. *Pandemic Unemployment Assistance* extended unemployment benefits to large segments of the workforce who would have been ineligible for any UI benefits at all under the standard program. These included certain low-paid workers and self-employed workers and independent contractors in the so-called "gig" economy. *Federal Pandemic Unemployment Compensation* increased weekly benefit amounts (first by $600 and subsequently by $300); regular state UI benefits replace only about 40 percent of prior wages on average, leaving many workers — especially low-paid workers — with very low benefits. *Pandemic Emergency Unemployment Compensation* provided extra weeks of benefits to people who had exhausted their regular state UI benefits and needed more time to find work.

[39] U.S. Census Bureau, "The Supplemental Poverty Measure: 2020," September 14, 2021, https://www.census.gov/library/publications/2021/demo/p60-275.html; Suzanne Macartney *et al.,* "Federal Economic Stimulus Projected to Cut Poverty in 2021, Though Poverty May Rise as Benefits Expire," HHS Assistant Secretary for Planning and Evaluation, February 2022, https://aspe.hhs.gov/sites/default/files/documents/452493535752b7b9e60f7406d6a40a7b/poverty-projections-2021-2022-rb.pdf.

millions of workers not covered by regular UI, especially workers of color, would not have received any benefits; and up to 27,000 more people may have died from COVID-19 in its early months because they needed to work in higher-risk occupations to make ends meet. Also, studies strongly suggest that unemployment benefits did not hold back employment growth, despite rhetoric to the contrary.

Economic Impact Payments. To provide income support and shore up overall consumer demand, relief legislation in 2020 and 2021 provided three rounds of EIPs to most households, ranging from $600 to $1,400 per adult and $500 to $1,400 per child (or other dependent, in the third round). In total, the IRS issued over 480 million EIPs, with each round reaching 146 to 175 million households.[40] The first two rounds alone lifted 11.7 million people above the poverty line in 2020, including 3.2 million children, according to the Supplemental Poverty Measure.[41]

The EIPs' success in reaching those who needed help partly reflected design and implementation improvements compared to similar stimulus payments in 2008. The earlier payments went only to individuals who had filed tax returns, and only individuals with sufficient tax liability received the full amount. The EIPs were the first time the IRS provided direct cash payments to households with no minimum earnings threshold or tax filing requirement, so people with the lowest incomes were eligible for the full rebate amount. And, unlike in 2008, the Treasury Department was able to deliver benefits automatically to recipients of Social Security, Supplemental Security Income, railroad retirement, and certain veterans' benefits, rather than forcing them to file tax returns that were otherwise unnecessary.

There will be opportunities for improvement if policymakers issue stimulus payments in a future crisis. For instance, they could improve outreach by leveraging state agencies that administer SNAP and Medicaid, which are uniquely placed to use existing contact information to alert eligible people about payments and connect them with sign-up mechanisms or even provide payments directly.

Housing. The U.S. was already facing a crisis of homelessness and housing instability when the pandemic hit; homelessness was rising in a majority of states and the number of people at risk of homelessness was high, increasing the risk that homelessness could surge just when it presented the greatest health risks. The onset of the pandemic worsened the difficulties for many people experiencing homelessness, with people in congregate care facilities as well as unsheltered arrangements facing increasing risk of infection. Also, shelters needed to reconfigure and downsize to comply with public health guidance and meet their staffing challenges.[42]

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[40] Internal Revenue Service, "All third Economic Impact Payments issued," January 26, 2022, https://www.irs.gov/newsroom/all-third-economic-impact-payments-issued; Internal Revenue Service, "SOI Tax Stats – Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Statistics," June 28, 2021, https://www.irs.gov/statistics/soi-tax-stats-coronavirus-aid-relief-and-economic-security-act-cares-act-statistics. These figures omit households who received payments not as an "advance" but instead as a credit on their tax returns.

[41] Kalee Burns, Danielle Wilson, and Liana E. Fox, "Two Rounds of Stimulus Payments Lifted 11.7 Million People Out of Poverty During the Pandemic in 2020," U.S. Census Bureau, September 14, 2021, https://www.census.gov/library/stories/2021/09/who-was-lifted-out-of-poverty-by-stimulus-payments.html.

[42] For more information see the following: California Project Roomkey, https://www.cdss.ca.gov/inforesources/cdss-programs/housing-programs/project-roomkey; Shelter Guidance, https://files.hudexchange.info/resources/documents/Non-Congregate-Approaches-to-Sheltering-for-COVID-19-Homeless-Response.pdf and https://www.hud.gov/sites/dfiles/CPD/documents/Model-Transitions-

To address hardship for people experiencing homelessness and housing instability during the pandemic, Congress made substantial investments across several relief bills — including $46.6 billion for the new Emergency Rental Assistance (ERA) Program, $5 billion for 70,000 Emergency Housing Vouchers, $5 billion for the HOME Investments Partnerships program, and $4 billion for the Emergency Solutions Grants-COVID program. The measures are unprecedented in scope and will have a lasting positive impact by averting hardships that can have long-term negative consequences.

Over 5.7 million households received emergency rental assistance (first enacted in December 2020 and expanded under the American Rescue Plan) from January 2021 through April 2022, according to Treasury Department data.[43] This assistance is likely a key reason that evictions didn't surge after the end of the national eviction moratorium in August 2021. In the six states and 31 cities in which the Eviction Lab tracks data, eviction case filings were down overall by about 50 percent in 2021, compared to average pre-pandemic rates,[44] and remained below pre-pandemic levels through the end of 2021. Low eviction filings in 2021 reflect the importance of the moratorium, and, given the amount of rental debt that accumulated during the pandemic, the lack of a surge in evictions speaks to the effectiveness of emergency rental assistance and other housing-related resources, measures that bolstered the job market, and income support for households during the crisis. These efforts, in combination with eviction moratoriums, helped people obtain or maintain stable housing and prevented an estimated 1.36 million evictions nationwide.[45] Based on data from 2021, these programs are providing well-targeted assistance: 86 percent of the households served (excluding households served by tribes) have incomes at or below 50 percent of the area median.

Unfortunately, eviction rates have risen in 2022 in most places where data are available, likely reflecting sharply rising rents, the phasing down of many relief measures (including the expiration of the Child Tax Credit expansion), and the underlying gaps in our rental assistance programs that provide help to a small share of households that need it due to inadequate funding.

Food assistance. Early in the pandemic, hunger was poised to soar. Calls to "211" for help with food in the first two months of the pandemic were over four times greater than earlier in 2020.[46]

Document_FINAL.pdf; King County, https://kingcounty.gov/depts/health/covid-19/providers/~/media/depts/health/communicable-diseases/documents/C19/hch/shelter-in-place-guidance.ashx.

43 U.S. Department of the Treasury, "Emergency Rental Assistance Program," https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program.

44 Eviction Lab's analysis uses a baseline that averages cases filed across several pre-pandemic years. The places Eviction Lab tracks account for about 25 percent of renter households in the U.S.

45 Peter Hepburn *et al.*, "Preliminary Analysis: Eviction Filing Patterns in 2021," Eviction Lab, March 8, 2022, https://evictionlab.org/us-eviction-filing-patterns-2021/. Note that the estimate of evictions prevented compares evictions in 2021 with the number of evictions that would have been expected in a *typical* year, and so is a conservative estimate because many more renters would have been at risk for eviction during the pandemic in the absence of strong relief measures that bolstered household income.

46 Rachel Garg *et al.,* "A new normal for 2-1-1 food requests?" Washington University in St. Louis Health Communication Research Laboratory, June 15, 2020, https://hcrl.wustl.edu/a-new-normal-for-2-1-1-food-requests/; Cindy Charles *et al.,* "Trends of top 3 food needs during COVID," Washington University in St. Louis Health Communication Research Laboratory, August 7, 2020, https://hcrl.wustl.edu/trends-of-top-3-food-needs-during-covid/.

Use of food banks also increased.[47] While SNAP eligibility and participation expand automatically in response to job and income losses, Congress made numerous policy changes beginning in March 2020 that took advantage of SNAP's ability to deliver benefits quickly by adding benefits to households' EBT cards. These changes included giving states flexibility to provide emergency SNAP benefit supplements, which all states did;[48] boosting SNAP maximum benefits by 15 percent from January through September 2021; and creating a Pandemic-EBT program to provide benefits (via SNAP cards or similar EBT cards) to households with children who miss meals at school or child care due to the pandemic. Congress also temporarily suspended SNAP's three-month time limit, which takes benefits away from many adults under age 50 without children in the home when they don't have a job more than 20 hours a week.[49]

Average SNAP benefits across all households rose from about $120 per person per month before the pandemic to about $230 in the summer and fall of 2021. Since then, SNAP pandemic relief has fallen as one benefit increase expired and states have started to pull back on emergency supplements.[50]

Early evidence shows the real-time impacts of these relief measures. For example, researchers found that receipt of P-EBT benefits in 2021 reduced the share of SNAP households where children experienced very low food security by 17 percent and reduced food insufficiency among SNAP households by 28 percent.[51] Another study found that the January 2021 increase in the SNAP

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[47] Paul Morello, "The food bank response to COVID, by the numbers," Feeding America, March 12, 2021, https://www.feedingamerica.org/hunger-blog/food-bank-response-covid-numbers.

[48] Through SNAP, all states have provided Emergency Allotments (EA), which Congress authorized in March 2020, and all but a handful of states continue to provide them. USDA may approve states to provide EAs for as long as the federal government has declared a public health emergency and the state has issued an emergency or disaster declaration. In states providing EAs, all households receive the maximum benefit for their household size; if the difference between the maximum benefit and the household's original benefit under the SNAP benefit formula is less than $95, then the household's EA is increased so the total EA benefit is no lower than $95. See USDA, "USDA Increases Emergency SNAP Benefits for 25 million Americans," April 1, 2021, https://www.fns.usda.gov/news-item/usda-006421. Families First and the American Rescue Plan provided funding for additional commodity purchases for emergency food programs and increased funding for the nutrition assistance block grants in Puerto Rico, American Samoa, and the Northern Mariana Islands.

[49] For a description of the temporary flexibilities in SNAP, see CBPP, "States Are Using Much-Needed Temporary Flexibility in SNAP to Respond to COVID-19 Challenges," updated October 4, 2021, https://www.cbpp.org/research/food-assistance/states-are-using-much-needed-temporary-flexibility-in-snap-to-respond-to.

[50] When the federal public health emergency ends, the temporary SNAP benefit increases will end, but due to a permanent change in the Thrifty Food Plan (TFP), SNAP benefits will remain higher than before the pandemic, averaging roughly $170 per person per month. In August 2021, USDA announced a revision of the TFP, which raised maximum SNAP benefits by 21 percent compared to what they would have been beginning in October 2021 (and in future years). See "USDA Modernizes the Thrifty Food Plan, Updates SNAP Benefits," USDA, August 16, 2021, https://www.fns.usda.gov/news-item/usda-0179.21; and Joseph Llobrera, Matt Saenz, and Lauren Hall, "USDA Announces Important SNAP Benefit Modernization," CBPP, August 26, 2021, https://www.cbpp.org/research/food-assistance/usda-announces-important-snap-benefit-modernization.

[51] Lauren Bauer *et al.,* "An Update on the Effect of Pandemic EBT on Measures of Food Hardship," Brookings Institution Hamilton Project, September 29, 2021, https://www.brookings.edu/research/an-update-on-the-effect-of-pandemic-ebt-on-measures-of-food-hardship/. As explained in the report's technical appendix, households were considered to have very low food security among children if they reported that the children sometimes or often did not

maximum benefit reduced food insufficiency in early 2021, resulting in a significant drop in the number of adults reporting that their household didn't get enough to eat in the past seven days.[52] Although it is not always possible to separate the effect of food assistance from other aid, the nutrition expansions played a key part in averting increased hunger during an unprecedented crisis.

State fiscal relief. When the pandemic hit in the first half of 2020 it quickly caused state, local, tribal, and territory revenues to collapse and their costs to rise sharply. Without federal aid, this would have forced deep cuts in state and local services at a time when *increased* supports — including public health measures to respond to the pandemic — were needed.

In March 2020 Congress passed the Families First legislation, which increased the federal share of Medicaid funding, a crucial step given the rapid surge in people needing health coverage. The added Medicaid dollars strengthened states' overall fiscal picture while protecting coverage for millions of people. Later that month Congress passed the CARES Act, which included $150 billion in aid for states, local governments with populations over 500,000, tribal governments, and U.S. Territories, which they could use for new costs incurred due to the public health emergency through the end of 2020 and not to make up for revenue losses.[53]

The American Rescue Plan of 2021 provided $350 billion in more flexible aid to help states, local governments of all sizes, tribal governments, and U.S. Territories respond to the pandemic. The law's State and Local Fiscal Recovery Funds (SLFRF) provided funds that governments could use to make up for pandemic-induced revenue losses, providing a hedge against expected shortfalls and helping them rehire workers and reverse spending cuts from earlier in the pandemic. About a fifth of the state funding has gone to offset pandemic-induced revenue losses, including funds used to hire back school workers and others laid off earlier in the pandemic. Nearly another quarter has gone to health care and human services for people affected by the pandemic. Specific examples of spending include:

- Massachusetts invested $387 million in a wide range of housing assistance efforts, including supporting homeownership, homeless shelter repairs, and rental housing development.
- Michigan spent $121 million on its Great Start Readiness Program, a state-funded preschool program for 4-year-olds in foster care, experiencing homelessness, from households with low incomes, and those with disabilities.
- Texas allocated $113 million to the Texas Child Mental Health Care Consortium to expand mental health initiatives for children, pregnant women, and women who are up to one year postpartum.
- North Carolina used $31.5 million to expand outreach and advising to community college students from households with low or moderate incomes and to provide need-based grants

eat enough in the last seven days because the household could not afford food. Households that experienced food insufficiency reported that they were sometimes or often not able to get enough to eat in the previous seven days.

[52] Andrew Bryant and Lendie Follett, "Hunger Relief: A Natural Experiment from Additional SNAP Benefits During the COVID-19 Pandemic," *The Lancet Regional Health-Americas*, Vol. 10, June 2022, https://www.sciencedirect.com/science/article/pii/S2667193X22000412.

[53] On December 27, 2020, when most of the funds were allocated, Congress extended the deadline, allowing states and populous cities and counties to use the funds to cover costs incurred through the end of 2021.

to cover up to two years of tuition and fees for graduating high school students through the Longleaf Commitment Grant program.

Localities, territories, and tribal governments have also made productive use of the SLFRF. For example:

- Puerto Rico created the nation's largest program to provide premium pay to essential workers, including both government employees and private-sector workers.
- Buffalo funded short-term aid to low-income families to cover housing and other bills, new affordable housing development, job training programs with stipends to make it possible for people to take time from work, and improvements to parks and other public infrastructure.
- Tribal nations are especially vulnerable to COVID-19's health risks and the pandemic sharply reduced the revenues of tribal governments that rely on tourism and casinos. The Recovery Funds have transformed tribal governments' ability to respond to the pandemic and help tribal members recover. The Navajo Nation, for example, is using Recovery Funds for broadband and water projects, support for tribal businesses, care for COVID-19 patients, and burial assistance for the families of COVID victims, among other uses.

Unfortunately, some states have used the funds in ways inconsistent with the law's spirit. The SLFRF expressly forbids using the funds for tax cuts,[54] but states can use their own funds for such purposes. While the SLFRF may have indirectly helped make these proposals more affordable, many states likely would have considered tax cuts this year *without* the SLFRF funds, for reasons that vary by state; policymakers in some states were trying to dismantle or sharply reduce income taxes even before the pandemic.[55] (Conservatives pursued tax cuts after the Great Recession as well, though the federal government provided much less state fiscal aid then.)[56] Other states are considering one-time tax cuts aimed at reducing household costs.

Some critics have charged that the relief funds ended up larger than necessary. It is true that state revenues came in stronger than expected, but if federal policymakers had undershot the fiscal relief funding — as they did after the Great Recession — states, localities, territories, and tribal governments could have faced large budget holes and made budget cuts that would have prolonged the downturn, forced more layoffs, and weakened needed services during the crisis. Instead, these governments have been able to make investments that strengthened the economy and addressed the needs of individuals and communities that were severely impacted by the pandemic and its economic fallout. And these governments were given time to spend the resources, allowing them to

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[54] Court rulings have stopped this prohibition from having effect in some states.

[55] For example, the governors of Mississippi and West Virginia both announced their support for eliminating income taxes shortly after the November 2020 election, before the American Rescue Plan was adopted. And conservative policymakers in several states have called for income tax cuts for years, and in many cases have enacted them.

[56] In the aftermath of the Great Recession, Kansas, Maine, North Carolina, Ohio, and Wisconsin all enacted large income tax cuts, and several other states enacted income tax cuts that were smaller as a share of revenues. In all, between 2008 and 2019, 18 states enacted personal income tax rate cuts and 17 states (plus Washington, D.C.) enacted corporate income tax rate cuts. See Michael Leachman and Michael Mazerov, "State Personal Income Tax Cuts: Still a Poor Strategy for Economic Growth," CBPP, May 14, 2015, https://www.cbpp.org/research/state-budget-and-tax/state-personal-income-tax-cuts-still-a-poor-strategy-for-economic. See also Michael Leachman and Erica Williams, "States Can Learn From Great Recession, Adopt Forward-Looking, Antiracist Policies," CBPP, February 11, 2021, https://www.cbpp.org/sites/default/files/2-11-21sfp.pdf.

make sound use of the funding for longer-term recovery efforts. This was particularly appropriate since the pandemic produced a highly uncertain and still-unfolding economic and fiscal situation, and many of its harmful impacts may last longer than the effects of a more typical recession.

Ultimately, crises are dynamic and policy calls must be made without perfect information. But fiscal aid to states, localities, tribal governments, and territories is an important part of our response to this crisis and needs to be a part of our recession-response toolbox.

Child care. Many child care providers saw their revenues plummet during the pandemic, as programs had to shut down temporarily and many families pulled their children out due to pandemic-related health concerns or inability to afford care. States have used the COVID relief funding to help child care programs stay in business, reopen, or open for the first time; help more families afford child care; and increase the amount child care providers receive to care for children so they can, among other things, improve wages for child care workers and improve program quality.[57]

Surveys by the National Association for the Education of Young Children have shown that these investments are helping child care providers stay open, increase pay, and pay down debt. For example, in an online survey of nearly 5,000 child care providers in January 2022, most indicated that they (or the provider they worked for) had received relief funding, and a large share of those who had received funding reported that it helped them remain open, improve worker pay, and reduce debt.[58]

States are also using child care-related relief funding to reduce child care costs for families, such as by waiving co-payments, and to provide more families with child care assistance.[59]

Income assistance for very low-income families. The American Rescue Plan provided $1 billion to state TANF (Temporary Assistance for Needy Families) agencies through the Pandemic Emergency Assistance Fund, which they could provide to TANF families and other families with very low incomes to meet additional needs resulting from the pandemic. All states except Idaho opted to take the funds.

TANF's low monthly payments made it nearly impossible for families to cover the additional expenses resulting from the pandemic. In the median state, the monthly TANF benefit for a family of three is just $498, or 27 percent of the federal poverty line. Like most other families with children, TANF participants faced rising food prices and additional expenses related to schooling and caring for their children at home, along with new expenses for cleaning supplies and masks to protect them from getting the virus. But because TANF benefits are fixed, their incomes did not increase to help

[57] For information on how states are using funds provided by relief bills for child care, see Child Care Aware, "Federal Relief Funds: State Progress, Winter 2022," January 31, 2022, https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0; and Child Care Aware's tracker of state use of funds, https://infogram.com/1pw0r2v9enjpy6uvljv6j9jynjb97k936e6?live.

[58] National Association for the Education of Young Children, "Saved But Not Solved: America's Economy Needs Congress to Fund Child Care," February 2022, https://www.naeyc.org/sites/default/files/wysiwyg/user-98/naeyc_ece_field_survey_february2022.pdf.

[59] Child Care Aware, "Federal Relief Funds: State Progress, Winter 2022," January 31, 2022, https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0.

offset their increased expenses. Also, many families use TANF only temporarily when parents are between jobs, but some parents faced longer periods of joblessness during the pandemic, so the inadequacy of TANF benefits was even more problematic for them.

Most states have used the funds to provide a one-time payment to supplement families' regular monthly cash benefits. A few states also provided payments to SNAP families with no income.

Lessons From Policy Responses to the Pandemic Recession

The COVID relief effort teaches three important lessons for responding to future downturns.

First, it shows that a rapid, robust, and broad-based fiscal policy response can greatly speed an economic recovery. Economists' thinking about anti-recessionary policies has evolved in the last decade, informed in part by the limits of conventional monetary policy that fighting the Great Recession revealed. This experience generated renewed attention among policy economists to the importance of fiscal stimulus in supporting overall spending and employment when the economy weakens and preventing serious and long-lasting damage when recessions do occur.[60]

The fiscal policy measures employed to address the Great Recession were much larger than in other post-World War II recessions and prevented it from turning into the "Great Depression 2.0," but they failed to deliver a strong recovery. While decried by some at the time as too large, they proved to be undersized and ended too soon. As a result, the economy remained weak for longer than was necessary and families suffered avoidable hardship. Two years after the Great Recession began, unemployment was still 9.9 percent and food insecurity remained one-third above its pre-recession level.

The fiscal policy measures adopted in 2020-2021 were roughly three times as large as those employed in 2008-2010 for the Great Recession, when measured as a share of the economy, and had much more positive results. While some of the difference in the two recoveries stems from differences in the downturns' causes, some is clearly due to the strength of the policy response to the pandemic. Analyzing the pandemic response, Mark Zandi and the economists at Moody's Analytics conclude, "policymakers' decisiveness in pushing forward with substantial government support has been an economic gamechanger." (See Figure 5.)

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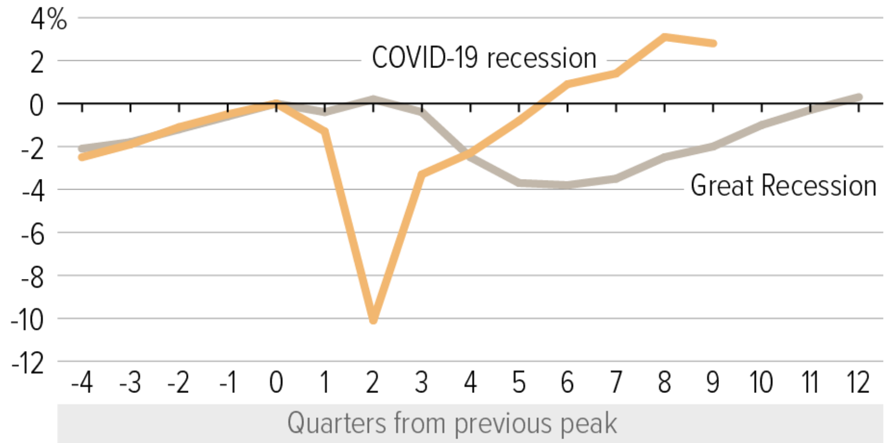
[60] Chad Stone, "Fiscal Stimulus Needed to Fight Recessions: Lessons from the Great Recession," CBPP, April 16, 2020, https://www.cbpp.org/research/economy/fiscal-stimulus-needed-to-fight-recessions.

FIGURE 5

Pandemic Recession Much Deeper But Shorter Than Great Recession

Change in real gross domestic product from previous peak



Source: CBPP analysis of Bureau of Economic Analysis data

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As of May 2022, the unemployment rate was 3.6 percent, just above the 3.5 percent pre-pandemic rate; the labor force participation rate for prime-age workers (aged 25-54) was within 0.4 percentage points of its pre-pandemic rate; and payroll employment was within 822,000 jobs of recouping all of the jobs lost during the pandemic recession and on track to recouping all of them later this year. Moody's analysis found that without these measures, payroll employment losses would not have been erased until summer 2026, the unemployment rate would have remained stuck at a double-digit rate through 2021 and would still be close to 6 percent in 2024, and "[l]ow-wage workers, which … suffered most financially during the pandemic, would have been set back even further."[61]

This doesn't mean the COVID response was perfect. As noted earlier, there were delays in getting aid to many people and the lapse in key help to jobless workers in 2020 increased hardship and slowed the recovery. And, crisis response requires, by definition, making policy decisions with highly imperfect information. An important area for further study is how relief measures and underlying policies can be tied to changing economic conditions so they turn on or off more automatically.

Second, well-designed relief measures can reduce the harm done by a recession or crisis, preventing spikes in serious forms of hardship. The measures we put in place in 2020 and 2021 prevented a spike in poverty and hardship and even *reduced* poverty significantly as compared to pre-pandemic levels, increased access to health coverage, helped more unemployed workers weather the storm, prevented evictions, shored up the child care system, preventing many child care programs from going out of business, and ensured that state, local, territory and tribal governments had funding that allowed them to stave off deep budget cuts that could have been a significant further drag on the economy and reduce services to people and communities that needed them.

[61] Yaros *et al., op. cit.*

Third, some of the policies adopted in the face of this crisis were shown to be effective at combatting problems that long pre-dated the pandemic and point the way to policy advances the nation should adopt on an ongoing basis. The pandemic highlighted serious underlying problems in the U.S. economy and public policies that predated the crisis and will persist if left unaddressed. For example, prior to the pandemic, 1 in 7 U.S. children lived in poverty, including 1 in 4 Black and Latino children, 1 in 8 Asian children, and 1 in 13 non-Latino white children[62] — and in international comparisons, child poverty has long been far higher in the U.S. than in other similarly wealthy nations. Many households with incomes somewhat above the poverty line or whose incomes or costs fluctuate also struggle to make ends meet, including facing challenges affording food and housing, child care and preschool, and health care and elder care. Roughly 30 million people lacked health coverage prior to the pandemic, and large racial gaps in opportunities and outcomes, the result of long-standing racism and discrimination, persist in health, education, incomes, and other areas. In rural and urban communities alike, millions of households from a wide range of backgrounds have trouble covering the cost of necessities.

Many policies adopted during the pandemic were intended to address households' immediate needs. But evidence shows that some of them, if in place on an ongoing basis (sometimes with modifications), would significantly improve economic and health security. For example, expansions of the Child Tax Credit and EITC, reforms to the unemployment insurance system that broaden the group of jobless workers eligible for benefits and make benefits more adequate, expansions in health coverage, investments in affordable housing, and efforts to shore up child care providers and expand access to affordable care for families are all areas where long-term policy advances could build on successful pandemic relief policies and improve economic and health security for millions of people in the U.S.

As noted, annual poverty fell a record amount to a record low in 2020 and likely remained about as low or lower in 2021. Health coverage increased in the pandemic, food insecurity declined, and there was no surge in evictions. Such positive results amidst a recession are testament to the powerful effects of the policies employed — and evidence that they can help address the long-standing challenges we face.

Economic and health security programs have an important role to play even when the economy is healthy by supporting individuals and families who nonetheless fall on hard times due to job loss or other factors. Many people are paid low wages that aren't enough to make ends meet. And personal circumstances such as a worker's illness or a family member's need for care can lead families to need help. Finally, in a dynamic economy, resources are constantly reallocated to their most effective use. This means that even in times of economic growth, some businesses are closing and jobs are being lost.

Shoring up our ongoing economic and health security policies would not only improve well-being and reduce poverty in the short term but also expand opportunity and promote well-being over the long term. For example, multiple studies demonstrate significant benefits for children and young people from investments in child tax credits, rental assistance, child nutrition, quality child care and

[62] CBPP analysis of the Census Bureau's March 2019 Current Population Survey using the Supplemental Poverty Measure, again using an inflation-adjusted 2020 poverty threshold. Figures are for 2018, the last reliable year of data before the pandemic. (The COVID-19 health emergency interrupted the Census Bureau's collection of 2019 data, scheduled for February through April of 2020.)

preschool, higher education, and paid leave. Children of color, who are more likely to experience economic insecurity and lower-quality schooling, would especially benefit from these investments. Similarly, expanding access to health coverage has long-term positive health benefits for adults and children alike.

Strengthening economic and health security policies can also strengthen the nation's resiliency to recessions and other crises. Currently, the U.S.' "automatic stabilizers" — the features of tax laws and spending programs like unemployment insurance and SNAP that automatically reduce income losses and support consumer spending in a downturn — are weaker than in other countries. This requires policymakers to enact larger temporary discretionary measures to mitigate the effects of a downturn, as was done during the pandemic. And, often we don't do enough or take the steps necessary in a timely enough manner when a recession hits.

If we had a stronger set of economic and health security policies that automatically helped more people when more people fall on hard times, fewer discretionary measures would be necessary during a recession. For example, a reformed unemployment insurance system that covers more workers when they lose their jobs and provides more adequate benefits would help people who lose their jobs during normal economic times. And, during a recession, such a reformed system will automatically expand in a more comprehensive way when more people are out of work. Similarly, making marketplace health coverage more affordable would help people afford health coverage during normal economic times. When a recession hits and people's incomes fall, those expanded subsidies would help more people get or retain coverage.