

EconoFact Chats: The Social Safety Net in the Era of COVID-19

Diane Schanzenbach, Northwestern University

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Michael Klein:

I'm Michael Klein, executive editor of EconoFact, a non-partisan web-based publication of the Fletcher School at Tufts University. At EconoFact, we bring key facts and incisive analysis to the national debate on economic and social policies, publishing work from leading economists across the country. You can learn more about us and see our work at www.econofact.org.

Michael Klein:

You've likely seen pictures of bread lines in the early 1930s at a time when people relied on private charities to support them during terrible economic downturns. But, of course, the social safety net at that time was as threadbare as the clothes of the children in those photographs. In the post World War II period, governments in richer countries stepped up to support many of those struggling due to economic hardship. Although there has also been retrenchment away from the support in many countries, including the United States.

Michael Klein:

Now, the social safety net is more important than ever as unemployment has reached its highest rates since the great depression. To talk about the social safety net in the United States, I'm very pleased to welcome to EconoFact Chats, one of this country's foremost experts, professor Diane Schanzenbach. Diane is the director of the Institute for Policy Research and a professor in the School of Education and Social Policy at Northwestern University. And welcome to EconoFact Chats.

Diane Schanzenbach:

Thanks, Michael.

Michael Klein:

Diane, let's start off by defining the term social safety net.

Diane Schanzenbach:

So in the United States, our social safety net is really a patchwork of different programs that support people who are facing economic hardship and together it has to do two things. First is address longstanding and structural property. Think of that as helping people who are persistently poor, and it also needs to expand to address more episodic events like things that happen during recessions or other economic shocks.

Michael Klein:

Or right now.

Diane Schanzenbach:

Particularly right now.

Michael Klein:

How does the social safety net in the United States differ from those in other rich countries? You said it's a patch work. Is it not the same in other countries?

Diane Schanzenbach:

Well, our safety net in the United States is generally less generous and more directly tied to topping up earnings from employment. We really like to encourage work here in the United States. Of course, another important thing is that we don't have universal health insurance, which is particularly salient right now during the pandemic. And a feature that we've been working on understanding more from a research perspective, is how a safety net that's increasingly built on work and rewarding work helps or more likely fails to help families during recessions.

Michael Klein:

So I imagine there are some shortcomings from that. What are those?

Diane Schanzenbach:

Yeah. So over the last 20 years or so, we've made this dramatic shift so that the safety net has primarily been aimed at promoting and rewarding work. And it's provided relatively little assistance for families that are not employed. A big part of this is the earned income tax credit, which is the single program that lifts the largest number of children out of poverty, but it's only available to families when their parents are working. And this program has replaced cash welfare, which used to be one of the primary sources of insurance, of the safety net. The system has a lot of upsides during good economic times, but it also means that the earned income tax credit and other programs aren't structured to provide poverty relief at all during recessions when unemployment is rising.

Michael Klein:

So Diane, what programs do help those people who are out of work?

Diane Schanzenbach:

Okay. So there are two programs that are most important. The first is SNAP, which we think of as the most universal of our social safety net programs. It's available to those who work as well as those who are unemployed, the elderly, disabled, all sorts of people, anyone with an income low enough to qualify.

Michael Klein:

So SNAP used to be called food stamps, right?

Diane Schanzenbach:

That's right. And it provides benefits every month to low income families that you can use to buy food at grocery stores. Now, the second piece of this is the unemployment insurance system, which provides cash payments that replace a portion of your lost earnings when you lose your job. But the glitch with the system is that the unemployment insurance system provides less assistance to the working poor who lose their jobs. It was basically built for an earlier time before so many low income people were working.

Michael Klein:

Why is it that it provides less to low income workers?

Diane Schanzenbach:

Well, so two reasons. The first is that benefits are proportional to earnings. And so if you had low earnings to start, the replacement value is pretty low. And that's the truth unless Congress acts like it did at the beginning of this pandemic with that \$600 top up. The second is that, generally, those who have low levels of prior earnings or don't have very consistent work histories, often aren't eligible for unemployment insurance. And some of the details of that, it's going to vary across states.

Michael Klein:

So are things different now, given how quickly unemployment has spiked? You talked about that \$600 top up. Are there other things as well?

Diane Schanzenbach:

Sure. So one thing is what's been going on in the background, which is over time, low income people, SNAP recipients, et cetera, are more likely to be employed. And that means that they're more likely to qualify for unemployment insurance under the normal rules, which require you to have the sufficient work history, which is a complicated piece that Phil Levine and I talk about in our recent EconoFact piece. Now, the second is that Congress, during this pandemic, not only topped up with that extra \$600 a week, but also started a new program that expanded access to unemployment insurance, making more people who are either self-employed or have low levels of prior earnings eligible for unemployment for the first time. And that has helped, but it's not come without hiccups.

Michael Klein:

Well, so, generally, I guess that's good news for those thrown out of work, but what are the hiccups you're talking about?

Diane Schanzenbach:

Yeah, well, it should be good work for sure, but you can imagine it was pretty hard to start a brand new social insurance program in the middle of a global pandemic. When offices were shut down and people needed to social distance, et cetera. And so what's happened was, I think, a substantial share of low income job losers either haven't received unemployment insurance because they gave up because you had to keep calling and keep calling and keep calling, or it just took them an exceptionally long time to navigate the system. And if the relief payments aren't coming for four weeks, six weeks, eight weeks, that's going to put a lot of strain on you in the meantime.

Michael Klein:

So Diane, I know that this fits into your longstanding research and your focus on policies that are aimed at improving the lives of children who are in poverty. To begin with, what's an estimate of how many children in fact live in poverty in the United States at the end of 2019.

Diane Schanzenbach:

So we're all waiting to learn the answer to that, which we will find out next month, but in the end of 2018, which is the most recent data we've got about 16% of U.S. Children, that's nearly 12 million children, lived in families with incomes below the poverty line. It's important to note that that number would be worse if it weren't for the social safety net, which lifts many, many children and families out of poverty.

Michael Klein:

Has the United States been able to reduce child poverty over the last, I don't know, three, four or five decades?

Diane Schanzenbach:

Sure. Over the long haul, we've certainly done that through a combination of the War on Poverty, which introduced a lot of the aspects of our social safety net, like SNAP, what used to be known as food stamps, and also these programs that have incentivized women, especially, to go to work and have their incomes topped up by the earned income tax credit. But generally we do a lot worse on this than other wealthy countries. For example, United Kingdom cut its child poverty rate in half over a decade. Canada seems to be on a pretty similar trajectory after introducing its child benefit in 2016. And we could do the same.

Michael Klein:

But you don't have the political will?

Diane Schanzenbach:

It sure seems to be that. So you likely know that the National Academy recently put out a report that estimates that we could cut child poverty in half with about a hundred billion dollars in annual spending. That's a large investment for sure, but it's one that would probably actually almost certainly pay for itself down the road. I know that some of the authors of that did an EconoFact, which I use in my class.

Michael Klein:

Right, right. Yeah. It's one of our very good pieces. Has a pattern of those who've been hurt most by the economic fallout of the pandemic led to any especially strong relationship between unemployment and child poverty in this downturn.

Diane Schanzenbach:

Yeah. Something that is particularly unusual about this recession means that kids are particularly at risk. So unlike normal recessions, in this case more women have lost their jobs. And we have lots of kids in this country who live with single moms. So another recent EconoFact piece that I've used a lot in my trying to understand the COVID crisis has found that about one out of every four children living in below median income households have had at least one adult that's lost a job. And about half of these saw that all adults who were working in their households lost their job. It's a huge shock.

Michael Klein:

Yeah, that was a very striking memo. I was really moved by that. That's by a group of researchers at Cornell and the University of Minnesota. Are there any estimates as to the number of children in poverty now that we're six months into the pandemic and this pandemic, of course, as you mentioned, has caused this unprecedented precipitous spike in the unemployment rate?

Diane Schanzenbach:

So it's a surprising answer. There are a couple of independent predictions that suggest that poverty at the end of this year won't actually go up once all is said and done. The reason for that is because there've been so many relief payments made. That unemployment insurance benefits that were topped up by the \$600 a week that ended back in July, also the economic income payments, sometimes called the stimulus checks. All of those have topped up family earnings or family incomes. And it looks like we might not actually see poverty go up when all is said and done.

Michael Klein:

Yeah, we have an EconoFact piece by Phil Levine and Patty Anderson that shows that for especially low wage workers, this \$600 increased their pay by not working. So that really helped cushion the blow compared to what would have happened if they didn't have that supplement.

Diane Schanzenbach:

That's right.

Michael Klein:

What else should we know about poverty?

Diane Schanzenbach:

Well, I want to add two things. One is to remember that it's a binary indicator, which means that some people who had incomes that were below poverty, but kind of close to the poverty line, may have seen a large drop in their income, especially if they're not successful at getting unemployment insurance. And they'd still be below poverty, but they'd be much worse off because they've got lower incomes, but the rate wouldn't change. The second is-

Michael Klein:

Poverty is this very broad term, but there are gradations that we should keep in mind as well.

Diane Schanzenbach:

Exactly. It's like in your class, if somebody receives a high F versus a low F, right, they're all still flunking, but there's difference in how much you learned.

Michael Klein:

I don't know if in my class the high F is really any happier than the low F

Diane Schanzenbach:

Fair enough. Fair enough. The second piece that I wanted to make sure that people understand is that poverty itself is based on annual income, which means that as long as you get a payment by December, if it's in your annual income, it counts against the poverty rate. But since at the beginning of this pandemic, we saw so many payments delayed... It took a while to get on unemployment insurance, to get on SNAP. Other programs are the same. And so families really had to weather weeks where they weren't sure if they were going to get money, they didn't have enough money to buy groceries, and there's real hardship that comes with that.

Michael Klein:

Yeah. It doesn't help you much if you have an annual income over the poverty rate or somewhat quite a bit over the poverty rate, but you still have to eat every day, and if you go through these dry patches, of course, that's very, very difficult. And that brings us to this other point. You have a very recent EconoFact memo with Phil Levine about food insecurity during the recent downturn. Can you let our listeners know what is meant by food insecurity and what happened to this indicator of economic hardship over the last few months?

Diane Schanzenbach:

Yeah. So food insecurity is unfortunately a wonky name for a pretty intuitive concept, which is that the household doesn't have enough money to buy the food that they need to live an active and healthy

lifestyle. And it's typically measured using a number of questions, a whole battery of questions, but during the pandemic, a couple of different surveys have asked just a subset of those questions so we can get some real-time estimates of what's happening to food hardship in families.

Michael Klein:

And so what's happened to that indicator over the last few months?

Diane Schanzenbach:

It is, without question, spiked dramatically. It's hard to make direct comparisons because of the differences in survey. But I think it's fair to say that food insecurity has at least doubled and about a third of those with kids report that their family's experiencing food insecurity during COVID. Of course, you also probably seen the lines at food pantries that have made the news recently. And we think demand there at food pantries has doubled or more in many places. So a lot of families are really suffering and suffering deeply.

Michael Klein:

Yeah. So both the statistics and just the visuals of people lining up all point in the same direction. [crosstalk 00:00:14:56]-

Diane Schanzenbach:

And is reminiscent of those bread lines that you talked about at the beginning.

Michael Klein:

Right. Food insecurity is linked to poverty, but as we were saying, even those who live above poverty can face a problem. And part of this, as you mentioned, is the problems of different time measurements of poverty being measured over the course of a year, but food insecurity could pop up within a few days, I imagine, if somebody is thrown into a real hard situation.

Diane Schanzenbach:

Yeah, that's right. So you can imagine even families that have incomes above the poverty line, let's say that they have a bad month where either some of their shifts get cut, they have to take time off due to illness that isn't compensated, or they have to repair their car or something like that. Most families don't have savings and that buffer that would allow them to smooth across that hard time. And so we see that a lot of families move in and out of food insecurity related to those income shocks.

Michael Klein:

So you've done some very recent work about filling in the gap left by the absence of school meals. Schools are, for children, an important source for many children, are important source of their nutrition. Can you describe some of that recent work that you've done?

Diane Schanzenbach:

Yeah. This is one of the things that's made the pandemic even worse for kids because not only are they losing school time, but they're losing those meals. And to respond to that, Congress came up with a new program that replaced the school meals with benefit, kind of like snap, that was... It's called the Pandemic EBT program. And what we were able to do was use the fact that some states took longer than others just to get that policy up and running and so there's a lot of variation in when families received this money. And so we're able to look at weekly measures of food insecurity and see, well, when you get this

payment, does food insecurity go down? And what we find is that these benefits, Pandemic EBT, reduced food hardship experienced by low income families with kids and it lifted at least 3 million kids out of hunger.

Michael Klein:

Wow, that's a lot. I mean, this... As you mentioned, this downturn is really distinct in the way, with respect to that dimension, that children don't get a chance to go to school and many children are really dependent upon that for nourishment. In fact, malnourishment among children is not only heartbreaking, but it has other consequences in the longterm, as do other consequences of growing up poor. Can you speak to this point?

Diane Schanzenbach:

Yeah. When children don't have enough to eat, they can't concentrate at school, they can't do other things. So they end up with weaker school outcomes, less language, they're learning less math. And what we've learned during this pandemic is we're allowing something like 8 million children to not eat enough every week. That's a more narrow measure than the household level food insecurity. They also ask moms, "Do your kids... Are your kids not eating enough right now because you don't have enough money for food?" And just an unconscionable number of families are saying, "Yes, our kids aren't getting enough to eat right now."

Michael Klein:

So it has physiological aspects, has emotional aspects, it has mental aspects. It's just really pervasive, what happens.

Diane Schanzenbach:

You might add to that it's morally wrong.

Michael Klein:

Well, right. That's clearly a point as well. Something that maybe economists don't talk enough about. Along with the Pandemic EBT, are there other government programs that can target these problems?

Diane Schanzenbach:

Sure. We have this whole patchwork of the safety net. So in normal times, the earned income tax credits, SNAP, school meals, all of these things work together to reduce child poverty, but what we've learned or we're continuing to learn during this pandemic, is there are real holes in the safety net that require congressional action. So we needed Congress to act, to increase the unemployment insurance benefit level. Many of us have been asking them to increase maximum SNAP benefit levels, just like they did in the last recession, which was extremely successful, not only in combating hunger, but it was also really good for communities because people had more money to spend.

Michael Klein:

So this is sort of pretty clear cut, but a lot of things that are pretty clear cut don't happen because of politics. I didn't mention in the introduction that you're a former director of the Hamilton project at the Brookings Institution in Washington. And in that role, you dealt not only with the economic features of poverty alleviation programs, but also the political viability of these programs. What did you learn in that capacity that a professor would not have seen if he or she didn't have access to sort of that window and see how, as people say, the sausage is made.

Diane Schanzenbach:

So when I was in Washington, I had the opportunity to testify before both the House and the Senate about the food stamp program, about SNAP. And what I learned at the time was that there was great bipartisan support because it does so many good things. It supports the market, it supports families, it reduces their hardship. And what's been a surprise to me is that there had been this great consensus that SNAP does a lot of good. It's efficient, it's effective and it's now surprising to me that Senate Republicans, frankly, haven't you gone to their toolkit that they used in the last recession and said, "We know this works, it can be temporary, it can be targeted. Let's expand it a little bit."

Michael Klein:

So you're the director of the Hamilton Project from the summer of 2015 to the summer of 2017. And you saw, as the administration changed I guess, that kind of a shift. Any lessons from that?

Diane Schanzenbach:

Absolutely. I think we saw a few shifts. One, of course, is the sort of pulling away from providing support to immigrants and families with immigrants that I think has been added to suffering from families. Another has been sort of mixed use of evidence. And I was very proud that when I was at the Hamilton Project, one of the first things we did upon arrival of the Trump administration was joined together with the American Enterprise Institute and put out a full-throated defense about how important it is to have facts in times like this and what an important role that the statistical agencies like census and Bureau of Labor Statistics play in helping us understand what's going on.

Michael Klein:

Yeah, the American Enterprise Institute is seen as sort of right-leaning and Brookings is seen as left-leaning. We had Michael [Strain 00:21:59] on a previous EconoFact chat and he presented very good evidence about state and local finances.

Michael Klein:

Well, Diane, we can only hope that the evidence that people like you provide and hopefully EconoFact provides are pieces of information that do help make better policy. So I want to thank you for the important research work that you've done in this area, and also more immediately thanking you for coming on to a EconoFact Chat.

Diane Schanzenbach:

Thank you.

Michael Klein:

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