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Robust COVID Relief Bolstered Economy and Reduced Hardship for Millions

By CBPP Staff

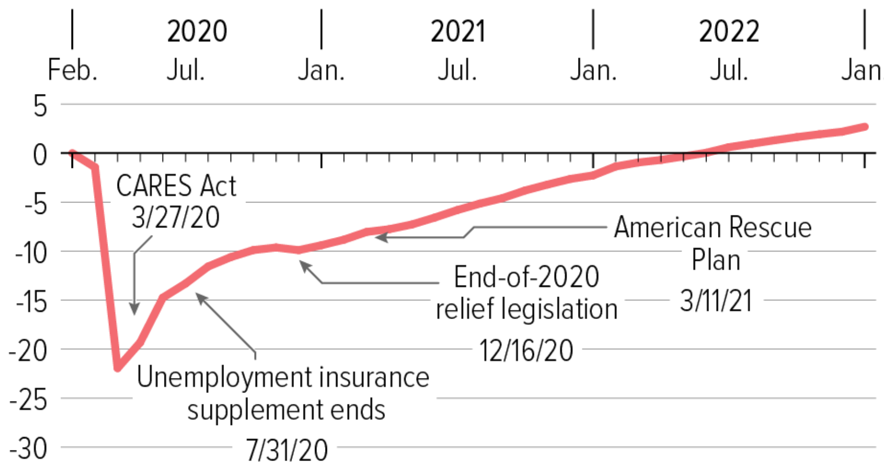
Three years ago, the COVID-19 pandemic began to take hold in the U.S., sending the economy into a downward spiral. The economy quickly shed more than 20 million jobs. Amid intense fear and hardship, federal policymakers responded, enacting five relief bills in 2020 that provided an estimated $3.3 trillion of relief and the American Rescue Plan in 2021, which added another $1.8 trillion. This robust policy response helped make the COVID recession the shortest on record and helped fuel an economic recovery that has brought the unemployment rate, which peaked at 14.8 percent in April 2020, down to below 4 percent since January 2022 and to a low of 3.4 percent in January 2023. (See Figure 1.)

Rather than rising as typically happens during recessions, one measure of annual poverty fell by 10 million people in 2020 — the largest amount on record in data back to 1967 — and fell again in 2021. The number of uninsured people remained stable early on despite large job losses and then fell in 2021 — and likely in 2022 as well — due to relief measures that made it easier for people to retain Medicaid coverage remaining in place and expanded subsidies making Affordable Care Act (ACA) marketplace coverage more affordable. Various data indicate that relief measures reduced poverty, helped people access health coverage, and reduced hardships such as inability to afford food and housing or to meet other basic needs.

FIGURE 1

Relief Legislation Key to Solid Jobs Recovery

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



Source: Bureau of Labor Statistics

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These positive results contrast with the Great Recession of 2007-2009, when the federal response was large compared to measures taken in other post-World War II recessions but less than one-third as large as the fiscal policy measures adopted in 2020-2021, when measured as a share of the economy. While decried by some at the time as too large, the relief measures enacted during the Great Recession were 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. While some of that difference stems from differences in the trigger to the downturn, some is clearly due to the strength of the policy response.

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 several innovative steps:

- Providing cash payments (economic impact 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.
- 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 the value 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 providing a portion of the benefit monthly, while also substantially increasing the credit amount.

- Providing uninterrupted health insurance coverage for Medicaid and Children's Health Insurance Program (CHIP) enrollees across all states and lowering or eliminating premiums for 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 called P-EBT and, building on steps taken during the Great Recession, increasing the value of Supplemental Nutrition Assistance Program (SNAP) and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits.
- Establishing a federal eviction prevention program and increasing rental assistance for people experiencing homelessness, at risk of homelessness, or fleeing domestic violence 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, territories, and tribal governments, whose budgets have been severely challenged by the pandemic.

The emergency also spurred new approaches to benefit delivery even as the pandemic made getting help to people more challenging. Communities, states, and the federal government used new mechanisms — such as online portals, increased phone and video access to services, and simplified applications — that are helping to modernize service delivery into the future.

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 (modeled on a similar effort during the Great Recession).

The large, broad, and innovative relief measures directly strengthened the recovery and reduced hardship, the Congressional Budget Office (CBO) and other independent analysts agree.[1] In substantial part due to federal action:

- The recession lasted only two quarters, the shortest recession on record.
- The unemployment rate fell rapidly to 6.7 percent at the end of 2020 and has been below 4 percent — similar to pre-pandemic rates — for over a year. The unemployment rate stood at 3.4 percent in January 2023, essentially the same as the 3.5 percent rate prior to the pandemic, and the lowest rate since 1969.
- The annual poverty rate fell to record lows in 2020 and 2021, analysis of historical data back to 1967 shows. The number of people living below the poverty line, which would have

[1] Congressional Budget Office, "The Effects of Pandemic-Related Legislation on Output," September 2020, https://www.cbo.gov/publication/56597#_idTextAnchor004; Moody's Analytics, "Global Fiscal Policy in the Pandemic," February 24, 2022, https://www.moodysanalytics.com/-/media/article/2022/global-fiscal-policy-in-the-pandemic.pdf.

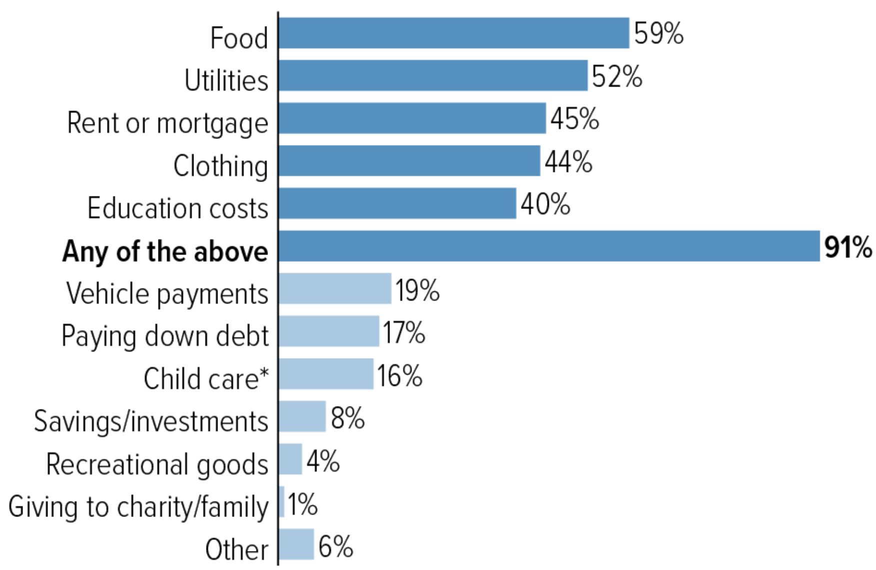
soared by 8 million people in 2020 if government assistance was not counted in family income, instead fell by a record 10 million thanks to government relief efforts.[2]

- Child poverty in 2019 stood at 13.1 percent and then fell to 9.6 percent in 2020 — a historic decline — and then to 5.2 percent in 2021. The number of children living in families with incomes below the poverty line in 2021 was a remarkable 5.8 million *lower* than the number in 2019. The number of children living in families with incomes below the poverty in 2021 declined by a historic 3 million as compared to 2020, thanks chiefly to the American Rescue Plan, which almost certainly lifted more children above the poverty line in a single year than any other single piece of legislation since at least 1935.[3] Its centerpiece, an expansion of the Child Tax Credit, kept 2 million children above the poverty line. Low- and moderate-income families most often spent their expanded Child Tax Credit on food, utility bills, other necessities, and education. (See Figure 2.)

FIGURE 2

Families With Low Incomes Spent Expanded Child Tax Credit on Most 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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[2] Forthcoming CBPP analysis of Census Bureau data supplemented by historical data from the Columbia University Center on Poverty and Social Policy.

[3] *Ibid.*

- The share of households who were food insecure, meaning they struggled to afford enough food for an active, healthy life year-round, held steady in 2020 and 2021 at just over 10 percent, statistically unchanged from the 2019 level. In contrast, the share of food-insecure households rose from 11.1 percent in 2007 to 14.7 percent in 2009 during the Great Recession amid a less robust policy response.[4] Temporary emergency allotments (EAs), the largest of the SNAP COVID-related relief measures, lowered food insufficiency — a different measure of food hardship — by an estimated 9 percent, equivalent to about 1 million households each week.[5]
- An estimated 90 percent (27 million) of the 30 million children eligible for P-EBT food assistance benefits, designed to help families afford food when their children were missing out on school meals because school buildings were closed and during the summer, received the grocery benefit in 2020.[6]
- Health insurance coverage remained roughly stable in 2020 even though millions of people lost employer-provided health insurance, in large part because Medicaid expanded to meet increased need as coverage terminations were halted.[7] The uninsured rate *declined* in 2021 and likely fell further to a record low in 2022, both due to the Medicaid provisions and because more people signed up for ACA marketplace coverage after the subsidies for coverage were expanded.[8] Medicaid and CHIP enrollment increased by over 20 million from February 2020 to October 2022 due to relief provisions that provided continuity of coverage. ACA marketplace enrollment set new records in each of the past two years (when expanded subsidies were in place), with over 4 million more people signing up during 2023 open enrollment compared to 2021 open enrollment.[9]

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[4] Alisha Coleman-Jensen *et al.*, "Household Food Security in the United States in 2021," USDA, September 2022, https://www.ers.usda.gov/webdocs/publications/104656/err-309.pdf.

[5] Food insufficiency captures situations where households sometimes or often didn't have enough to eat in the past seven days. Diane Whitmore Schanzenbach, "The Impact of SNAP Emergency Allotments on SNAP Benefits and Food Insufficiency," Northwestern University Institute for Policy Research, January 27, 2023, https://www.ipr.northwestern.edu/documents/reports/ipr-rapid-research-report-snap-emergency-allotments-impact-27-january-2023.pdf.

[6] Erica Kenney *et al.*, "Costs, Reach, and Benefits of COVID-19 Pandemic Electronic Benefit Transfer and Grab-and-Go School Meals for Ensuring Youths' Access to Food During School Closures," *Journal of the American Medical Association*, 5(8), August 31, 2022, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2795795.

[7] Gideon Lukens, Jennifer Sullivan, and Farah Erzouki, "COVID Relief Provisions Stabilized Health Coverage, Improved Access and Affordability," CBPP, March 10, 2022, https://www.cbpp.org/research/health/covid-relief-provisions-stabilized-health-coverage-improved-access-and.

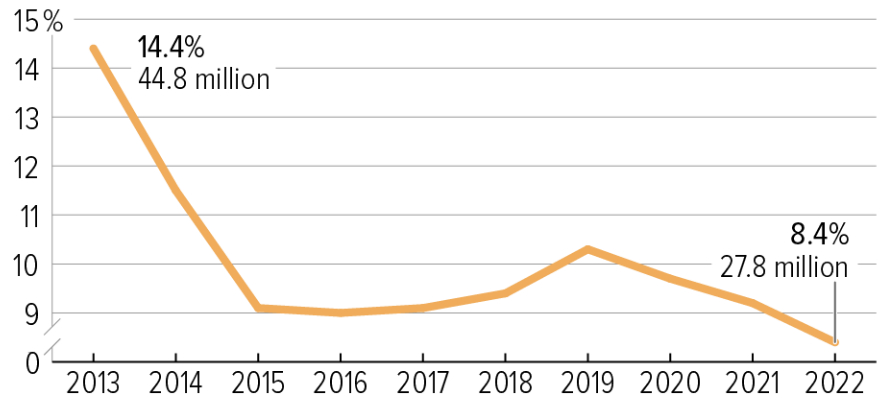
[8] National Health Interview Survey, "Health Insurance Coverage Reports, 2013-2021; and Early Release of Quarterly Estimates," July 2021-September 2022, https://www.cdc.gov/nchs/nhis/healthinsurancecoverage.htm.

[9] Centers for Medicare and Medicaid Services (CMS), Medicaid and CHIP Enrollment 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. CMS, "Marketplace 2023 Open Enrollment Period Report: Final National Snapshot," January 25, 2022, https://www.cms.gov/newsroom/fact-sheets/marketplace-2023-open-enrollment-period-report-final-national-snapshot. CMS, Marketplace Open Enrollment Period Public Use Files, https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products.

FIGURE 3

Uninsured Rate Has Fallen During the Pandemic

Uninsured rate by year, all ages



*Estimates for 2022 are the averages of quarterly data through the third quarter of 2022.

Source: National Health Interview Survey's Health Insurance Coverage Reports, 2013-2021; Health Insurance Coverage: Early Release of Quarterly Estimates from the National Health Interview Survey, July 2021-September 2022

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- Despite significant administrative challenges and some criminal rings that exploited system weaknesses that are the result of years of underfunding, 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. Unemployment benefits helped many people in 2021 as well, when the labor market was still recovering.
- There was no surge in evictions even though millions of people were behind on paying their rent. Some 9.7 million emergency rental assistance payments were made to households from January 2021 to September 2022 to help them with past-due and current rent bills, forestalling eviction for many.[10] In addition, nearly 50,000 households at risk of or experiencing homelessness have been able to use Emergency Housing Vouchers to secure stable housing during the pandemic.[11]

Surveying the impacts on hardship, H. Luke Shaefer of the University of Michigan concluded, "This is the best, most successful response to an economic crisis that we have ever mounted, and it is not even close."[12]

[10] 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.

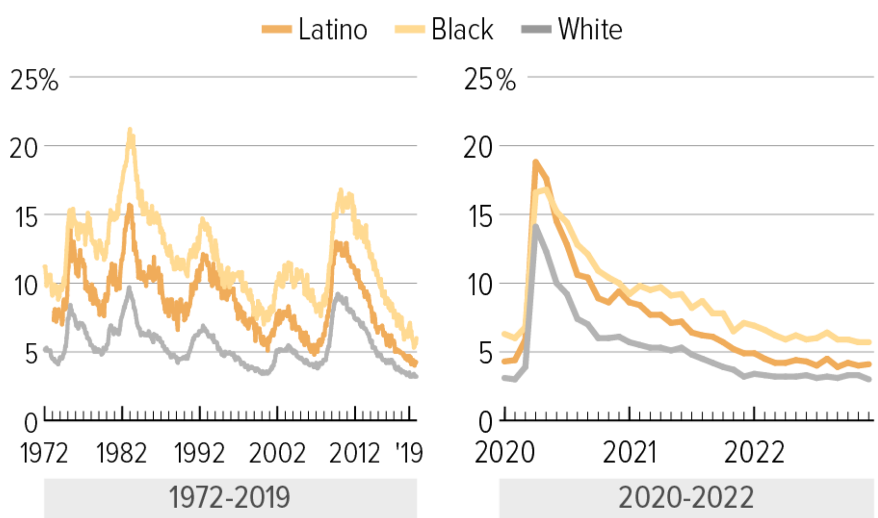
[11] U.S. Department of Housing and Urban Development, "Emergency Housing Voucher (EHV) Data Dashboard," accessed February 28, 2023, https://www.hud.gov/program_offices/public_indian_housing/ehv/dashboard.

[12] 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.

Job loss in the pandemic was especially severe among workers in low-paid sectors of the economy, such as restaurants and hospitality, in which people of color, people who are immigrants, and women are overrepresented. Black and Latino people were already more economically vulnerable due to structural racism and the history of discrimination in employment, housing, education, and other areas. (See Figure 4.) This meant that many elements of the pandemic response that targeted those with the greatest need had particularly large, positive impacts on these communities.

FIGURE 4

Black and Latino Unemployment Rates Persistently Higher Than White Rate



Source: Bureau of Labor Statistics

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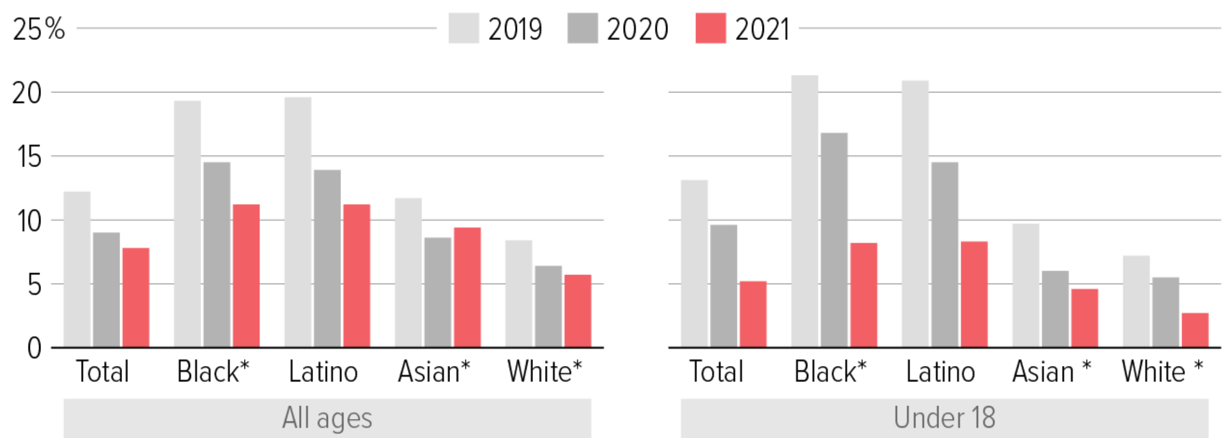
As a result of the strong government response, annual poverty rates declined for Black and Latino individuals to about 11 percent by 2021, from more than 19 percent in 2019 — an 8 percentage point decline. For non-Latino white individuals, poverty rates fell to under 6 percent from just over 8 percent over the same period, a decline of nearly 3 percentage points. For Black and Latino *children*, the poverty rate fell fully 13 percentage points, from about 21 percent in 2019 to about 8 percent. Despite this progress, poverty among Black and Latino people and children remained significantly higher than among white people. (See Figure 5.)

FIGURE 5

Pandemic Response Drove Down Poverty, but Rates Remain Higher for People of Color

Percent poor, based on Supplemental Poverty Measure with 2021 poverty thresholds adjusted for inflation



*Single race; not Latino

Source: CBPP analysis of Census Bureau data

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The Economy Today

Throughout 2022 and into 2023, the economy has continued to heal. Unemployment returned to pre-pandemic levels in January of 2022 and has remained there since. Job growth has remained strong but as the economy has moved closer to full employment, it's no longer at the very high levels we saw earlier in the recovery when unemployment was high.

The country has had to deal with high inflation during the recovery. Inflation started to rise in early 2021 and peaked in June 2022 when the 12-month measure of the consumer price index (CPI) reached 9.1 percent. The Federal Reserve took steps to tighten monetary policy to bring inflation down, and some of the supply shocks that had driven up prices began to abate.

Since the June 2022 high point, inflation has come down, as evident in the lower month-over-month inflation in the second half of 2022, compared with the first half. Near-term changes in the CPI have generally been much smaller in recent months, with the three-month change expressed at an annual rate falling to 3.3 percent in December before edging up to 3.5 percent in January. (A different measure of inflation, the Personal Consumption Expenditure price index, came in higher than anticipated in January.)

While inflation has come down since its peak, the U.S. isn't necessarily out of the woods on inflation yet, and the Federal Reserve's actions to bring down inflation could overshoot and lead to a recession. There are steps the Fed could take to reduce the likelihood of overshooting and raising interest rates too much, like being willing to pause to understand the impact of recent rate hikes on inflation as more data are available while clearly communicating its intent to continue to use monetary policy to bring inflation back to its target.

While navigating inflation has proven more difficult than anticipated, the causes of inflation are multi-faceted, including supply chain issues, changes in demand for goods and services, and changes to labor markets over the course of the pandemic. The pandemic was unprecedented and created unprecedented challenges to the economy. But without the rapid, robust, and broad-based response, unemployment and hardship would have been higher for much longer.

Permanent Policy Changes Are Needed to Make Permanent Progress

Temporary policy changes made during the pandemic — in the Child Tax Credit, unemployment insurance, and food assistance, health, and housing programs — boosted the economy overall, shortening the recession, and drove significant gains against poverty, lack of health coverage, and hardship.

But temporary measures can only have limited impact on long-term challenges that mean that millions of people in the U.S. have difficulty affording the basics and lack health coverage. To be sure, preventing high rates of hardship during the pandemic has better positioned many children and adults alike going forward, but even prior to the pandemic, more than 1 in 4 households, including more than 1 in 3 households with children, experienced a major form of hardship — specifically, an inability to afford adequate food, shelter, or utilities — in one or more of the three years.

- Among Black and Latino households with children, roughly 1 in 2 reported one of these hardships, as did more than 1 in 4 white households with children.
- Even many households in the middle of the income scale encounter hardship. Among the middle third of households with children (ranked by their current annual income), nearly 1 in 3 reported one of these hardships over the three-year span.

To address these long-standing challenges requires new, permanent investments that help set up children for success, expand health coverage, support workers and their families, and address the housing affordability crisis, among others.

Some of the successful temporary relief measures point the way to long-term policy change, and in a few cases policymakers have already taken steps to build off of those successes. For example, policymakers extended the American Rescue Plan's expanded premium tax credits that made ACA marketplace coverage more affordable and helped lead to a significant increase in enrollment. The Rescue Plan expansion would have ended at the start of 2023, but the expansion was extended through 2025 in the Inflation Reduction Act.

In December policymakers created a permanent summer food assistance program, modeled on a temporary relief program adopted early in the pandemic that got additional food assistance to children when they were not able to attend school due to the pandemic and during the summer. Similarly, policymakers made permanent what had been a temporary option to provide 12 months of postpartum health coverage through Medicaid, building on a temporary option in the Rescue Plan.

But far more needs to be done to make long-term progress that broadens opportunity, reduces insecurity, and makes the economy work for everyone. This includes:

- **Investing in children and supporting workers** and their families through policies like an expanded Child Tax Credit, making child care more affordable, creating an unemployment insurance system that works when people lose jobs, increasing the Earned Income Tax Credit for workers without children and who are paid low wages, and providing paid family and medical leave;
- **Addressing the affordable housing crisis** by incentivizing affordable housing development, easing policy constraints on rental housing development, investing in eviction prevention programs created during the pandemic, and increasing access to rental assistance.
- **Expanding and improving health coverage** by policies like extending coverage to people in states that have refused to adopt the Medicaid expansion, streamlining eligibility and enrollment processes in Medicaid and marketplace coverage, making the Rescue Plan's expanded premium tax credits permanent, and reducing out-of-pocket cost barriers in marketplace coverage.
- **Reforming the immigration system and removing barriers to federally funded health and economic security programs** so people who are immigrants and their family members have access to support when they need it and can obtain a documented status and have access to a path to citizenship, which will allow them to participate equally in our communities and economy.
- **Supporting low-income older adults and people with disabilities** by shoring up income support policies for them, such as by expanding Supplemental Security Income benefits and ending policies that mean small amounts of savings bar someone from receiving help, and by expanding home- and community-based services.

Addressing these needs is often dismissed as too expensive, but the U.S. is a wealthy nation, and most similarly wealthy countries spend a larger share of their nation's resources on public services and investments than we do (accounting for government spending across federal, state, and local levels). Paid leave, universal health coverage, more robust income assistance (like child allowances), and child care systems are in place in these countries but noticeably absent from ours. These investments would not only reduce poverty, inequity, and inequality but would broaden opportunity in ways that would benefit the nation as a whole. The nation can afford these investments if it is willing to reform its tax code to collect more revenues from households and corporations that have benefitted most from the nation's prosperity.