Plan for my comments

- Overview of the cash and near cash social safety net for low income Americans
- 2. Income support response to COVID-19
- 3. Long run effects of income support programs on children



(1) The US Social Safety Net and the growing role of conditionality

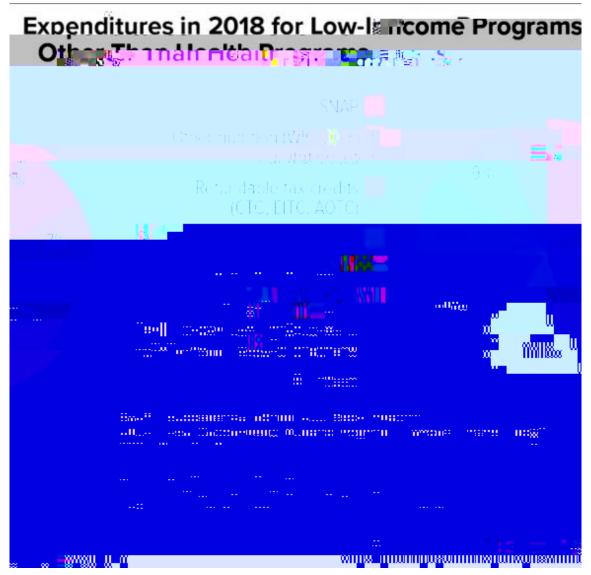


Primer on income support in the U.S.

- Not universal targeted at elderly, disabled and families with children (prime age adults without children, undocumented immigrants left out)
- <u>Little in cash</u> tax credits, food and nutrition programs
- Heavy use of conditionality increasingly linked to work
- Funding levels not high compared to other countries

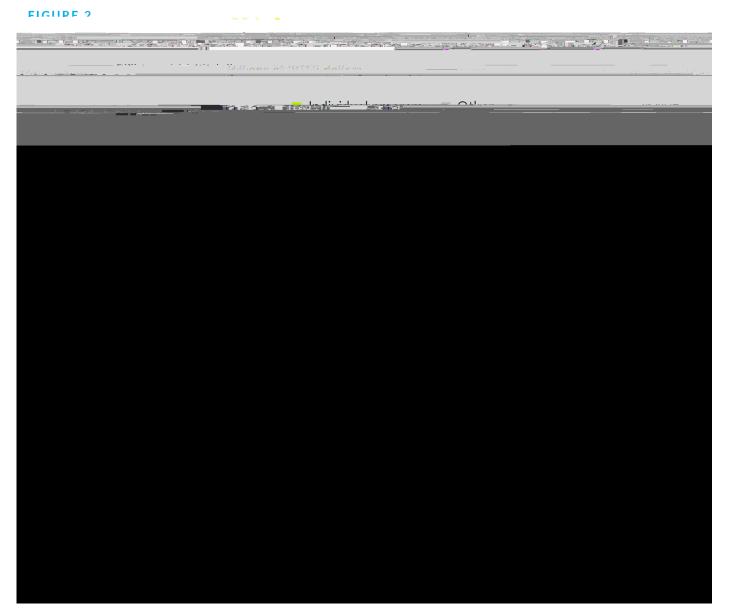


Composition of spending

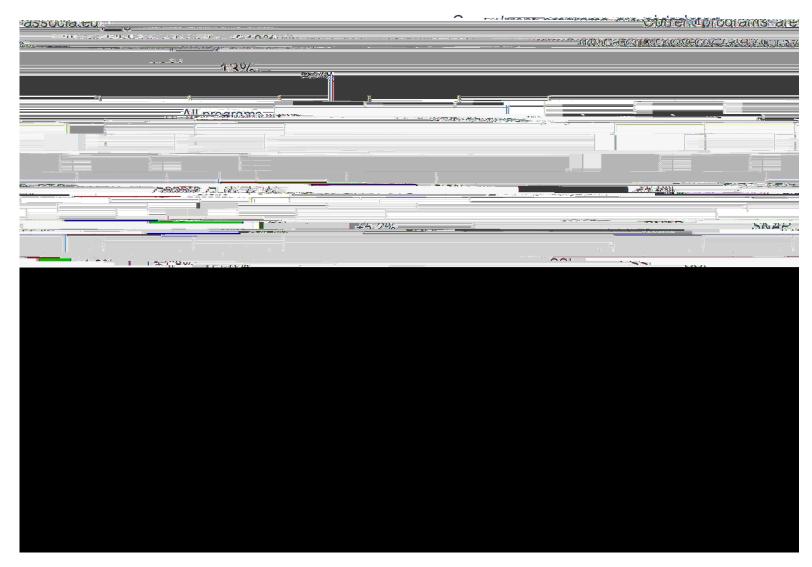


Source: OBPP - 6/26/18

Level of spending - Children



6



Source:

Growing Conditionality

- [Mid-1990s and beyond] Welfare reform and the rise of the Earned Income Tax Credit
- [Current administration] Expanding work requirements to other programs
 - SNAP and Medicaid
 - Lose benefits in any month don't work at least 20 hours/week for ABAWDS

Safety net largely *topping up work* but providing little protection out of work.

Evidence from Great Recession shows *greater volatility* at lower incomes, consistent with these changes

(2) The US response to COVID-19



Policy Response to COVID Crisis

<u>Unemployment insurance (UI)</u>

- \$600 weekly top-up to regular UI
- Expanded eligibility (self-employed/gig workers)

Emergency Impact Payment (EIP)

 \$1200 per adult + \$500 / child, one time only (phased out starting at \$75K for singles, \$150K for marrieds)

<u>SNAP</u>

 Increase SNAP benefits to maximum benefit for the 60% not receiving maximum benefits, worth about \$160/month

Pandemic-EBT

 Convert value of lost school meals to direct payment to families, worth about \$120/month/child (context: 30 million students lost daily access to free/reduced price school meals when schools closed)



Despite this spending, there is evidence of significant economic distress

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NHISthrough 2018 compared to COVID Imparogual (irs) podETQ EMC.

Source: Bitler, Hoynes and Schanzenbach, forthcoming, BPEA

(3) Implications for the long run



Safety Net Investments in Children

- A common framework for evaluating preschool and other human capital programs is as <u>an investment</u>: Resources are invested upfront that generate returns over the longer run (education, labor market, health).
- Paradoxically, we don't apply this thinking to the social safety net
- Does investing when children are young lead to private and public benefits in the longer run?
- There is new and growing evidence that more resources in childhood lead to improvements in economic and health outcomes in adulthood.



Long Run effects of additional resources in childhood

- Cash welfare: early 20th century program leads to improvements in longevity, educational attainment, nutritional status, and income in adulthood (Aizer et al 2016)
- SNAP: Increases education, earnings, health in adulthood (Hoynes et al 2016, Bitler and Figinski 2018, Goodman-Bacon 2016, Bailey et al 2020)
- ETC increases educational attainment and employment in young adulthood (Bastian and Michelmore 2018)
- Tribal government UBI: improvement in mental health, reduction in substance abuse, crime, and increase in educational attainment (Akee et al. 2010, 2018; Costello et al., 2010)

(See Hoynes and Schanzenbach 2018 for review)

