New poverty measure confirms coronavirus-driven federal stimulus measures were effective

June 22 2020, by Colleen Sharkey

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The coronavirus pandemic has already taken a significant toll on the U.S. labor market. In the 12 weeks since the start of the pandemic, more than

40 million people filed for unemployment insurance, and the employment rate fell by 14 percent in April—the largest one-month decline on record. At the same time, the federal government initiated an unprecedented response that committed more than $3 trillion to countering the effects of the pandemic. Was this response enough to stave off a rise in poverty, and if so, for how long?

Unfortunately, official estimates for poverty during the pandemic will not be available until September 2021. However, James Sullivan, the Gilbert F. Schaefer College Professor of Economics and co-founder of the Wilson Sheehan Lab for Economic Opportunities (LEO) at the University of Notre Dame; Bruce Meyer, the McCormick Foundation Professor at the University of Chicago Harris School of Public Policy; and Jeehoon Han, a postdoctoral student at the University of Chicago, have devised a new approach that provides near-real-time poverty estimates using data from the U.S. Census Bureau. These estimates could potentially be the basis for government policies and programs that help prevent people from slipping into poverty during sharp downturns in the economy.

The economists' estimates, which are being prepared for the Brookings Papers on Economic Activity conference on June 25, show poverty declined shortly after the start of the pandemic. They find that the poverty rate fell by 2.3 percentage points from 10.9 percent in the months leading up to the COVID-19 pandemic (January and February) to 8.6 percent in the two most recent months (April and May).

"In this time of crisis, it is important for policymakers to respond as quickly as possible to address the needs of those hit hardest by the pandemic," the authors said. "Our results show that for low-income individuals and families, the government response to the pandemic more than offset the sharp decline in earnings. Because a bulk of the government response was temporary, it is important that we continue to

track poverty in real time to determine what additional support is called for as this pandemic persists."

The entire decline in poverty for April and May can be accounted for by the one-time stimulus checks the federal government sent out during these months and the expansion of unemployment insurance eligibility and benefits. The one-time payments provided up to $1,200 to individuals and $2,400 to married couples without dependents, with the maximum amount going to individuals with income less than $75,000, and married couples with income less than $150,000. In addition, unemployment insurance benefits were increased by $600 per week and eligibility for unemployment insurance was broadened to include the self-employed, those seeking part-time employment, and others who otherwise would not be eligible.

Sullivan, Meyer and Han also examine changes in poverty for many different groups. Their analysis shows that poverty declined for all age groups, and while gains were also made for all racial groups, the early gains appear to be most pronounced for those in the "other" race group (neither white nor Black).

Interestingly, Sullivan and Meyer found no meaningful differences in the decline in poverty between states with high and low COVID-19 death rates, and between states that issued a state of emergency or stay-at-home order early versus late.

To calculate their near-real-time estimates of poverty, the authors use data from the monthly Current Population Survey, a nationally representative survey of about 60,000 households each month—the same survey that is used to calculate official monthly unemployment statistics. This survey includes a question about family income that provides the data necessary to estimate poverty.

The Census Bureau releases new data from the Current Population Survey on a monthly basis; the data for income in June, for example, should be released in mid-July. Using these data, Sullivan, Meyer and Han plan to release updated poverty numbers each month throughout the pandemic. In addition, the authors are working to further validate their numbers through the analysis of many other data sources.

Provided by University of Notre Dame