Testimony of
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on the subject of
"Recognizing and Building on the Success of Pandemic Relief Programs"
before the U.S. House of Representatives
Select Subcommittee on the Coronavirus Crisis

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Chairman Clyburn, Ranking Member Scalise, and Members of the Committee:

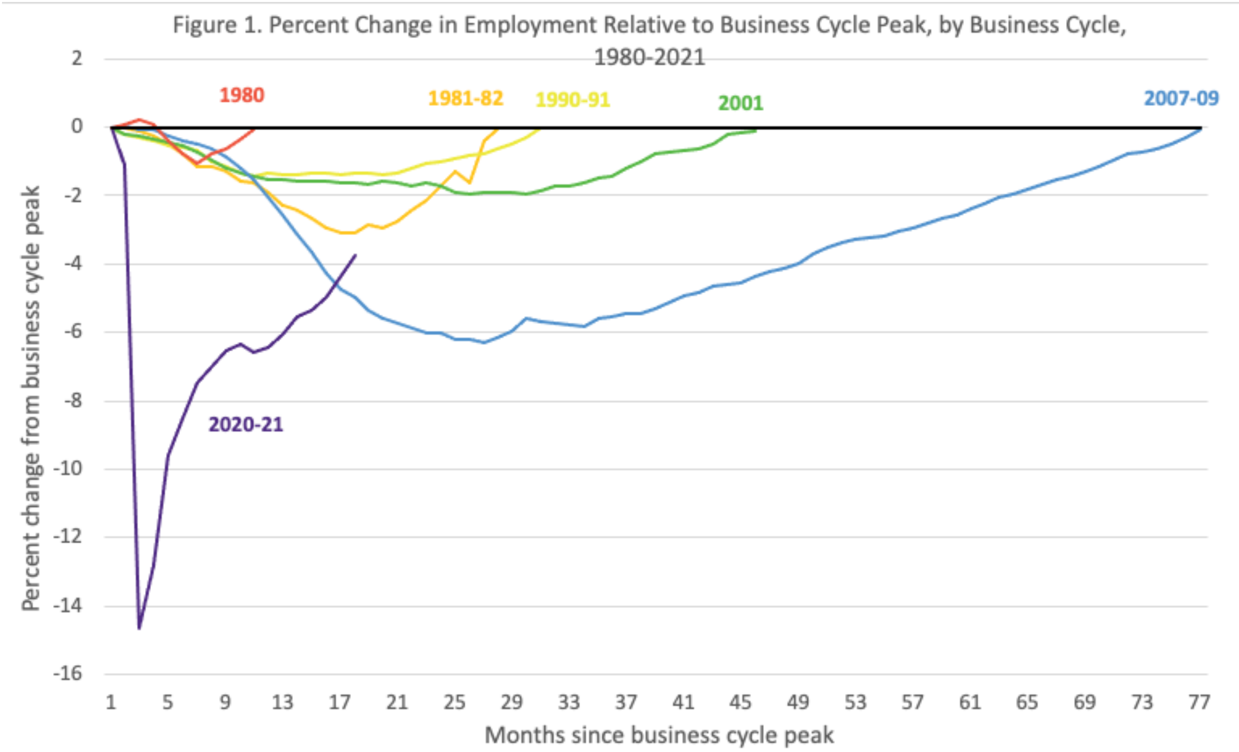
Thank you for the opportunity to appear before you today at this hearing on recognizing and building on the success of pandemic relief programs.

My name is Diane Schanzenbach, and I am the Director of the Institute for Policy Research at Northwestern University, where I am also the Margaret Walker Alexander Professor of Social Policy and Economics. For the past two decades, I have conducted and published numerous reports, peer-reviewed research studies and book chapters on policies intended to improve the lives of low-income children, especially federal programs like the Supplemental Nutrition Assistance Program (SNAP) and the Earned Income Tax Credit (EITC), and education policy. I also serve on the boards of the Greater Chicago Food Depository, Chicago HOPES for Kids, and the Food Research and Action Center and am an elected member of the National Academy of Social Insurance as well as the National Academy of Education.

My testimony today draws primarily from research that I have conducted or reviewed that considers the role of policies and other influences on children's education, health, and economic security.

The Impacts of Pandemic Relief Programs

The COVID-19 pandemic caused tremendous economic disruption, with a swift and large decline in employment. Figure 1 shows the percentage change in employment relative to the business cycle peak across the past six recessions. Total nonfarm employment fell by 20.5 million jobs in April 2020, and as of August 2021 is still 5.3 million below its February 2020 level. Job losses were larger for women, non-white workers, and those with lower levels of education. Note that it took more than 6 years to regain the jobs lost during the Great Recession: a swift recovery in employment is in our national interest.



The Coronavirus crisis and recession have led to purposeful increases in access to and participation in social safety net programs such as Unemployment Insurance (UI) and SNAP. Both Congressional and Executive actions have further expanded the generosity of many of these long-standing programs. Other programs were newly conceived during the crisis, such as new Pandemic EBT payments to make up for missed school meals when schools were not in session.

Researchers have found evidence that these relief programs have been successful in alleviating poverty and economic hardship and sustaining consumption.

Unemployment Insurance Evidence. Congress expanded UI in three ways during the pandemic. It increased benefit levels through first a $600 per week and then a $300 per week supplement. It also extended the duration of benefits and expanded the share of workers covered by UI through the Pandemic Unemployment Assistance program. Typically, UI replaces about half of a worker's lost wages, but with the $300 supplement payments were as much or more than their prior wages for about half of UI recipients.[1] There has been great interest in understanding to what extent generous UI supplements have been discouraging unemployed workers from obtaining new jobs, and how to balance potential disincentive effects with the economic protection provided by UI to support spending among the unemployed. The impacts surely vary over time as the underlying economic conditions improve from their April 2020 trough. Recent research finds that UI supplements had only small impacts on job-finding rates as of May 2021.[2] Another recent study finds that the 22 states that ended their UI supplements in June 2021 saw employment increase by 4.4 percentage

[1] Ganong, Peter, Pascal Noel, and Joseph Vavra. 2020. U.S. Unemployment Insurance Replacement Rates During the Pandemic. Becker Friedman Institute for Economics at University of Chicago Working Paper 2020-62.

[2] Greig, Fiona, Daniel M. Sullivan, Peter Ganong, Pascal Noel, and Joseph Vavra. 2021. When Unemployment Insurance Benefits are Rolled Back. JP Morgan Chase Institute Working Paper.

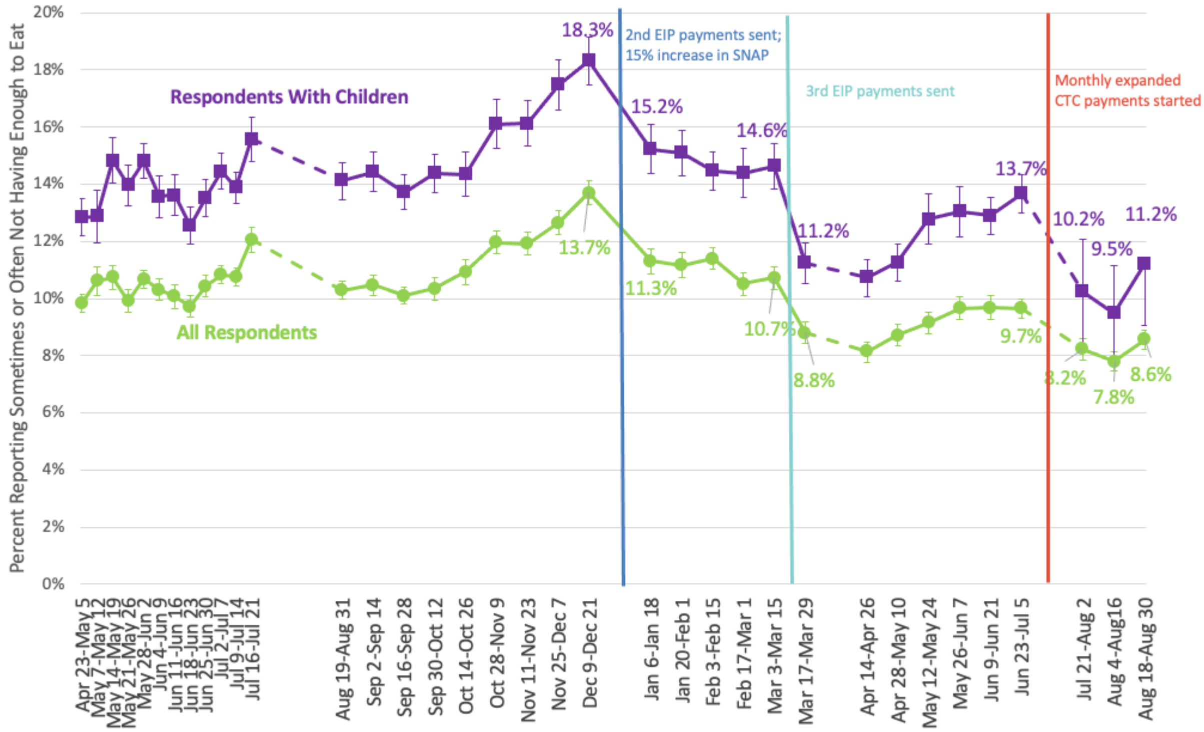
points, and UI participation among the unemployed drop by 35 percentage points. UI benefits and spending fell substantially, with only about 5 percent of the UI benefit decline offset by increased earnings.[3]

Pandemic EBT Evidence. We also have strong evidence on the impact of the Pandemic-EBT (P-EBT) program, which provides food benefits (similar to SNAP) to students who lost access to school meals due to school closures. Because states varied in the timing of their initial payouts of P-EBT benefits, in my research we have been able to compare food insufficiency rates in low-income families with children across states. My research found that these payments reduced food insufficiency in the weeks after they were received by 30 percent.[4]

Real-Time Evidence. The Census Bureau has been collecting data on material hardship in near-real time during the Coronavirus crisis, through their experimental Household Pulse survey. In it, households are asked to assess the state of food available in their households. Figure 2 below shows the share of adults overall, and adults with children, who report that they sometimes or often did not have enough to eat in the last week ("food insufficiency"), from April 2020 through August 2021. The figure includes vertical lines to indicate the timing of the second and third EIP (the first occurred prior to the start of data collection), and the start of the monthly CTC payments. There were sharp drops in reported food hardship coincident with each of the two EIC payments. Among adults with children, the share dropped from 18.3 percent in December 2020 to 15.2 percent in January 2021; and from 14.6 percent in early March 2021 to 11.2 percent later that month. To be sure, there are other factors that influence food hardship—including employment growth and other policy changes to SNAP and UI—but this evidence further suggests an important impact of the EIPs.

[3] Coombs, Kyle, Arindrajit Dube, Calvin Jahnke, Raymond Kluender, Suresh Naidu, and Michael Stepner. 2021. Early Withdrawal of Pandemic Unemployment Insurance: Evidence on Earnings, Employment and Consumption. University of Toronto White Paper.
[4] Bauer, Lauren, Abigail Pitts, Krista Ruffini and Diane Whitmore Schanzenbach. 2020. The Effect of Pandemic EBT on Measures of Food Hardship. The Hamilton Project Economic Analysis, July 30.

Figure 2. Share of Adults Reporting their Housholds Sometimes/Often Did Not Have Enough to Eat, Last 7 Days



Source: Diane Schanzenbach, Northwestern University, calculations from Census Household Pulse Survey.

Child Tax Credit Evidence. The first monthly CTC payments were paid out in July 2021. As shown in Figure 2 and studied more thoroughly by researchers at the Census Bureau and Columbia University, food insufficiency in households with children dropped quickly after CTC payments arrived, but was unchanged in households without children suggesting the CTC was an important factor in the decline.[5] The impacts are concentrated among low-income families, and are strong for Black, Hispanic and White families alike.[6] Early data show that low- and moderate-income parents report spending their CTC payments on necessities like food, utilities, clothing, and housing. I discuss the CTC in more detail below.

Annualized Evidence. The official poverty rate in 2020 was 11.4 percent, up one percentage point over 2019. Among children under age 18, the poverty rate increased from 14.4 in 2019 to 16.1 percent in 2020.[7] A drawback of the official poverty measure is that it does not take into account many of the government programs designed to assist low-income families. The Supplemental Poverty Measure (SPM) takes these programs into account and highlights their important roles during the pandemic and recession. After accounting for the safety net response, SPM poverty rates fell between 2019 and 2020, from 11.8 percent to 9.1 percent. For children, the

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[5] Perez-Lopez, Daniel J. 2021. Economic Hardship Declined in Households with Children as Child Tax Credit Payments Arrived, https://www.census.gov/library/stories/2021/08/economic-hardship-declined-in-households-with-children-as-child-tax-credit-payments-arrived.html.

[6] Parolin, Zachary, Elizabeth Anant, Sophie Collyer, Megan Curran, and Christopher Wimer. 2021. The Initial Effects of the Expanded Child Tax Credit on Material Hardship. Columbia University Poverty and Social Policy Working Paper, September 20.

[7] Shrider, Emily A., Melissa Kollar, Frances Chen, and Jessica Semega. 2021. Income and Poverty in the United States: 2020. U.S. Census Bureau Current Population Reports, P60-273.

rate fell from 12.6 percent to 9.7 percent. This is a tremendous success. Nonetheless, poverty rates are too high. According to the SPM, 29.8 million people overall, and 7.1 million children were in poverty in 2020. The Census Bureau also estimates the impact of individual policies and programs on the Supplemental Poverty Measure (SPM) Rate. The first two rounds of Economic Impact Payments (EIP) lifted 3.2 million children out of poverty—a larger impact on children than any other element studied. Refundable tax credits (the EITC and CTC) lifted 2.7 million children out of poverty, and SNAP and school lunch combined lifted 1.3 million children out of poverty.[8]

Making the Child Tax Credit Available to Children in Families with Low or No Earnings

Childhood poverty is a serious problem in the United States, affecting approximately one in seven children, and one in five children of color, even before the Coronavirus pandemic began. Children growing up in poverty begin life at a disadvantage: on average they attain less education, face greater health challenges, and are more likely to have difficulty obtaining steady, well-paying employment in adulthood. A panel of experts convened by the National Academy of Sciences estimated that because of such effects, childhood poverty costs the country between $800 billion and $1.1 trillion each year.[9]

Children were further harmed during COVID because of our failure to protect them economically and provide adequate opportunities for them to learn. Early estimates of test scores indicate students are an average of four to five months behind on learning compared to where they would typically be.[10] And an estimated 30 to 40 percent of young people have experienced negative impacts on their mental health, with increased rates of anxiety and attempted suicides.[11] According to Census Bureau data, at its pandemic peak, nearly 31 million children lived in households that sometimes or often did not have enough food in the prior week.

Against this backdrop, the CTC expansion has and will continue to support vulnerable children. A fully refundable Child Tax Credit, delivered on a monthly basis, will provide a reliable $250 to $300 per month per child to sustainably provide financial stability for children and their parents. While insufficient as a sole income source, it will help families make ends meet, alleviate parents' stress, and help them focus on their work and family.

Until American Rescue Plan, the CTC was primarily targeted to middle class families, and had only been "partially refundable," meaning that families who owe little or no income tax are not eligible for the full credit.[12] As a result, due to their families' low incomes, one in ten children received no

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[8] Fox, Liana E. and Kalee Burns. 2021. The Supplemental Poverty Measure: 2020. Current Population Reports: P60-275, September.
[9] National Academies of Sciences, Engineering, and Medicine. 2019. *A Roadmap to Reducing Child Poverty*. Washington, DC: The National Academies Press. https://doi.org/10.17226/25246.
[10] Dorn, Emma, Bryan Hancock, Jimmy Sarakatsannis, and Ellen Viruleg. 2021. COVID-19 and Education: The Lingering Effects of Unfinished Learning. McKinsey & Company. July 27.
[11] Hamilton, Laura, Betheny Gross, David Adams, Catherine Pilcher Bradshaw, Pamela Cantor, Robin Gurwitch, Robert Jagers, Velma McBride Murry, and Marleen Wong. 2021. How Has the Pandemic Affected Students' Social-Emotional Well-Being? A Review of the Evidence to Date. Center on Reinventing Public Education Report.
[12] Hoynes, Hilary and Jesse Rothstein. 2017. Tax Policy Toward Low-Income Families. *The Economics of Tax Policy* 15:2.

CTC benefit and one in four received only a partial amount.[13] In other words, 27 million of the children who needed it most received less or no help from the CTC. This includes roughly half of all Black and Hispanic children, and children who live in rural communities.[14] Almost all children now receive the full benefit amount, as the benefits are phased out at very high incomes such that only two percent of children are excluded from benefits because their family incomes are too high.

If the changes introduced in the American Rescue Plan were made permanent, they are projected to cut child poverty nearly in half. If these changes are not made permanent, the CTC will have very little anti-poverty effect.

Predictions from researchers at Columbia University estimate a 38 percent decline in child poverty next year due to the monthly CTC payments. Much of this poverty-fighting impact of the CTC expansion comes from making it "fully refundable." This means that a family is entitled to the full credit amount even if they have no tax liability or earned income. The American Rescue Plan also makes the CTC more generous, increasing the maximum credit amount from $2000 per year to $3000 per year for children over the age of six and $3600 for children under the age of six. This additional generosity to the youngest children is consistent with evidence that resources in early life have an even larger impact on children's outcomes. It also extends eligibility to 17-year-old children.

Full refundability will help workers in low-paying sectors who previously only earned enough to claim a partial CTC. Many more workers in occupations such as cashiers, nursing and home health aides, cooks, janitors, truck and delivery drives, child care workers, and retail salespersons—many of whom are recognized as essential workers key to keeping the economy running since the pandemic hit—will be able to receive full payments, which in turn will help them make ends meet.

The expanded Child Tax Credit can substantially improve the lives of millions of children growing up in the United States and promote our country's long-term economic prosperity. Expanding the CTC would dramatically reduce childhood poverty in the United States. In doing so, it would improve children's lives in important and lasting ways. Research shows that reducing child poverty improves educational outcomes, including fewer school absences, higher standardized test scores, and more high school completion and college attainment.[15] It also improves health across the

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[13] Collyer, Sophie, David Harris and Christopher Wimer. 2019. Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit. Columbia University Poverty & Social Policy Brief, 3(6), May 13.

[14] Marr, Chuck, Kris Cox, and Arloc Sherman. 2021. Recovery Package Should Permanently Include Families with Low Incomes in Full Child Tax Credit. Center on Budget and Policy Priorities. September 7.

[15] East, Chloe N. 2018. The Effect of Food Stamps on Children's Health. *Journal of Human Resources* 55(2): 387-427. Dahl, Gordon B. and Lance Lochner. 2012. The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit. *American Economic Review* 102(5): 1927-56. Barr, Andrew, Jonathan Eggleston, and Alexander A. Smith. 2021. The Effect of Income During Infancy: Evidence from a Discontinuity in Tax Benefits. Texas A&M University White Paper. Bastian, Jacob and Katherine Michelmore. 2018. The Long-Term Impact of the Earned Income Tax Credit on Children's Education and Employment Outcomes. *Journal of Labor Economics* 36(4).

lifespan, in infancy, during childhood, and in adulthood, and reduces mortality.[16] It has also been shown to reduce crime.[17]

The financial gains from reducing childhood poverty have been found to persist long past childhood: low-income children who benefit from safety net programs are more likely to be employed, earn more as adults and are less likely to be poor.[18] As a result, expanding the CTC would yield a long-term fiscal payoff. Since reducing child poverty has a positive effect on earnings in adulthood, expanding the CTC would bring in more tax revenue down the road. By improving low-income children' health over the lifespan, it would reduce government medical expenditures for this group. There is a strong return to these payments. Once the full effects of the CTC expansion are accounted for, the net cost to taxpayers of the expansion has been estimated to be as little as approximately 16 cents for every $1 of new benefits.[19]

It is important to consider the potential impacts of an expanded CTC on parents' incentives to work. Recent empirical studies suggest that the income provided through the CTC is unlikely to meaningfully reduce parental labor supply.[20] Indeed, the panel of experts who reviewed this issue for the National Academy of Sciences concluded that a universal child allowance would have a negligible effect on employment: 99.5% of all employed people in low- and moderate-income families with children would continue to work, and few would substantially reduce the number of hours they worked.[21] This lack of impact on labor supply stems from the design feature that the expanded CTC amount would not phase out until high levels of earnings; thus, most families would not see their CTC amount decline if their income rises.

In summary, a permanently expanded CTC would yield tremendous immediate and long-term benefits for children and their families and would be unlikely to meaningfully reduce employment. Recently I co-authored a letter highlighting these same points that was cosigned by over 460 economists. For the good of the nation, we need to be investing more in children than we have been. The enhanced CTC is an important start. Thank you, and I look forward to answering any questions you might have.

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[16] Hoynes, Hilary, Doug Miller, and David Simon. 2015. Income, the Earned Income Tax Credit, and Infant Health. *American Economic Journal: Economic Policy* 7(1): 172-211. Baughman, Reagan A. and Noelia Duchovny. 2016. State Earned Income Tax Credits and the Production of Child Health: Insurance Coverage, Utilization, and Health Status. *National Tax Journal* 69(1). Hoynes, Hilary, Diane Whitmore Schanzenbach, and Douglas Almond. 2016. Long-Run Impacts of Childhood Access to the Safety Net. *American Economic Review* 106(4): 903-34. Aizer, Anna, Shari Eli, Joseph Ferrie and Adrianna Lleras-Muney. 2016. The Long-Run Impact of Cash Transfers to Poor Families. *American Economic Review* 106(4): 935-71.

[17] Akee, Randall K.Q., William E. Copeland, Gordon Keeler, Adrian Angold, and E. Jane Costello. 2010. Parents' Incomes and Children's Outcomes: A Quasi-experiment Using Transfer Payments from Casino Profits. *American Economic Journal: Applied Economics* 2(1): 86-115.

[18] Bastian and Michelmore (2018). Aizer et al. (2016). Bailey, Martha J., Hilary W. Hoynes, Maya Rossin-Slater, and Reed Walker. 2020. Is the Social Safety Net a Long-Term Investment? Large-Scale Evidence from the Food Stamp Program. National Bureau of Economic Research Working Paper 26942.

[19] Garfinkel, Irwin, Laurel Sariscsany, Elizabeth Ananat, Sophie Collyer, and Christopher Wimer. 2021. The Costs and Benefits of a Child Allowance. Columbia University Poverty & Social Policy Brief 5(1), August 2.

[20] Jones, Damon and Ioana Marinescu. 2020. The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund. National Bureau of Economic Research Working Paper 94312. Baker, Michael, Derek Messacar, and Mark Stabile. 2021. The Effects of Child Tax Benefits on Poverty and Labor Supply: Evidence from the Canada Child Benefit and Universal Child Care Benefit. National Bureau of Economic Research Working Paper 28556.

[21] NASEM (2019).