POVERTY TRACKER
CENTER ON POVERTY & SOCIAL POLICY at Columbia University
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ROBIN HOOD

MONITORING POVERTY AND WELL-BEING IN NYC

SPOTLIGHT ON

Direct Cash Benefits during the Pandemic

SPENDING, SAVING, AND RETURNING TO WORK

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OCTOBER 2021

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Introduction

As the country looks to emerge from the pandemic during a destabilized labor market, a debate has arisen over whether direct cash payments discourage people from working. This debate echoes long-standing ideological disputes over the social safety net, including the effectiveness and appropriateness of direct cash benefits, and whether people will spend them wisely. The existing quantitative data demonstrates that the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including its direct cash benefit provisions, helped many people avert material hardship, while for those who were ineligible, its absence exacerbated hardship.[1]

Previous Poverty Tracker reports have shown that nearly half (49%) of all New York City workers lost employment income at the height of the COVID-19 pandemic.[2] And those hardest-hit were those already in precarious financial positions, with more than half (57%) of low-wage workers in New York City losing employment income. Across the city, New Yorkers were forced to figure out how to pay rent and keep food on the table with no sense of what was to come next. To make ends meet, 52% of New Yorkers who lost employment income drew down from their savings accounts, 41% started using their credit cards more frequently, and 29% delayed payments on credit cards and other loans.[3] But the data also show that it could have been much worse absent policy interventions, such as the stimulus checks and expanded unemployment insurance benefits (UIB) that so many New Yorkers describe as a lifeline in the qualitative interviews discussed in the pages that follow.

In this report, we draw on qualitative data from the Poverty Tracker to better understand how these benefits impacted peoples' lives and the choices they made. We conducted a rolling set of interviews with 38 adults in New York City from July 2020 through May 2021. With some exceptions, we interviewed people twice at roughly six-month intervals. Our research design therefore allows us to track people's experiences with successive waves of stimulus payments and UIB, their spending of these benefits, and their efforts to return to work (or not) over time.[4] We first describe how people budgeted and apportioned these benefits. We next examine whether and how direct cash benefits affected decision-making about employment.

[1] *Cooney and Schaefer (2020).*

[2] *Williams (2021).*

[3] *Williams (2021).*

[4] *Individuals and families received three rounds of stimulus payments (also referred to as economic impact payments (EIP): up to $1,200 per adult and $500 per qualifying child in March 2020; up to $600 for adults and up to $600 for each qualifying child in January 2021 and up to $1,400 per eligible individual, adult or child in March of 2021. Enhanced unemployment benefits of $600 per week were provided from April 5, 2020 to July 26, 2020. After a gap of five months, these benefits were extended until September 6th, 2021, but at a reduced rate of $300 per week.*

Key Findings

QUANTITATIVE AND QUALITATIVE DATA

The Poverty Tracker finds that the significant expansion of cash benefits provided through the CARES Act appears to have forestalled a devastating increase in the poverty rate between 2019 and 2020.

The data show that, in 2019, cash benefits and other government transfers reduced the poverty rate by **33%** (from 27% to 18%), keeping 580,000 adults out of poverty (Figure 1).

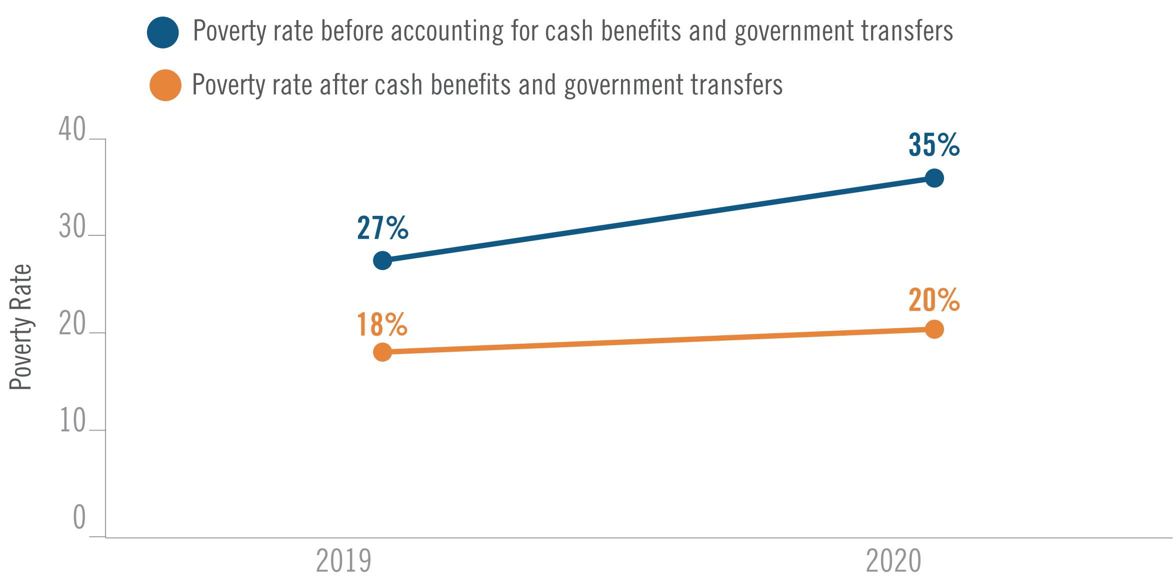
After accounting for the role of cash benefits and transfers, we see the poverty rate increase from **18% TO 20%** between 2019 and 2020, a much smaller increase than we would have seen absent these policy expansions.

1 MILLION ADULTS OUT OF POVERTY

In 2020, with the stimulus checks and UIB, preliminary estimates show cash benefits and government transfers reducing the poverty rate by **43%** (from 35% to 20%), keeping approximately one million adults in New York City out of poverty. That is, **BECAUSE OF THEIR EXPANSION, CASH BENEFITS AND TRANSFERS WENT FROM KEEPING 580,000 ADULTS OUT OF POVERTY TO KEEPING ONE MILLION ADULTS OUT OF POVERTY.**

FIGURE 1

Preliminary estimate of the impact of government transfers, including cash benefits, on the New York City adult poverty rate in 2019 versus 2020



The qualitative data and stories discussed in this report illustrate how these government interventions played a large role in helping families survive.

Direct cash payments were the single most useful tool for helping people ride out the pandemic. It helped families pay their bills and often enabled parents to stay home to care for school-age children during remote school.

People calibrated UIB and stimulus payments for maximum utility, using them not only to prevent current crises, like evictions and utility shut-offs, but also to avoid future financial crunches by paying off credit card debt and even saving funds for emergencies and future expenses.

For parents, and particularly mothers, direct cash benefits heavily factored into a decision not to work, or to work less. They had little choice but to prioritize parenting over work.

For others, after being forced into unemployment by the pandemic, the quandary was when and how, and not if, to return to work. Direct cash benefits helped them adapt to a changing work environment and labor market, while envisioning better jobs and new pathways to economic security.

Findings

SPENDING FOR TODAY AND SAVING FOR TOMORROW

Across all racial and ethnic groups, and among people living alone or with families, the spending of direct cash benefits was markedly the same. **Cash benefits were, first and foremost, used to cover basic needs, including, rent or mortgage payments, utilities, and food.** A typical example is Trevon, a 45-year-old Black man living alone, who used his direct cash payments to pay his rent, utilities, and internet/phone/cable after he lost his job at a major theater chain he had worked for since 2005. Another example is Bae and his wife, both Chinese-Americans who lost their jobs, he as a taxi driver, she working in a nail salon. Their combined income of nearly $95,000 a year plummeted to zero. The stimulus payments and UIB kept them and their two children in their home and able to pay for their basic needs. Camila, a 33-year-old Latina woman with a teen daughter and a baby on the way, relied on both UIB and the stimulus payment to pay her bills when the hair salon she worked for shut down for five months.

Notably, after people apportioned funds for basic needs, they sought to shore up their overall financial health, typically by paying down credit card debt. Getting by for low-income people often involves a credit card.[5] It is an easy and flexible way to fill the gap between people's earnings or government benefits and what they need to survive. It can immediately smooth over budget gaps, whether it be for a utility bill, food, or a medical bill. The use of credit cards to cover these expenses intensified during the pandemic as funds ran short, or as the only currency available to purchase essential goods remotely on the internet. But the shadow of credit card debt — both pre- and post-pandemic — hung over people. Paying off this debt was high on New Yorkers' list of priorities after paying essential bills.

Before the pandemic Lucia, a 32-year-old Latina woman with a nine-year old son, had two credit cards, reporting a combined debt of $15,500 at the time of her first interview in July of 2020. The stimulus funds and enhanced UIB allowed Lucia to apportion part of her income to reducing this debt. At the time of her second interview in January 2021, her debt was down to $8,000, an accomplishment she is very proud of: "I've just been seein' those balances go down, and it's so exciting." Maya, a 39-year-old Latina women with no credit card debt before the pandemic, incurred a nearly $10,000 debt between spells of pandemic-related unemployment. She used the stimulus payment both to pay bills and reduce her credit card debt by paying more than the monthly minimum.

Saving money was also a priority. In the best of times, it is difficult for low-income people to save money.[6] The pandemic was an exception. As quantitative studies have found, savings among all income groups, including low-income people, rose in tandem with stimulus payments. Consistent with this, our respondents described how they split stimulus payments into different pots, including savings. While some of our respondents reported having some savings before the pandemic, it took on a special urgency when COVID-19 hit and they

[5] *Blank and Barr (Eds.) (2009).*

[6] *Neuberger, Greenstein, and Orszag (2006)*

[7] *JP Morgan Chase & Co. (May 2021).*

> "I just don't want to touch my savings. It'll have to be a real emergency, like I don't have anything and stuff is really out of control."
>
> — Martina

lost their jobs. They viewed it as bulwark against the chaos and uncertainty of the pandemic; a last resort that would protect them from losing everything.

Martina, a 38-year-old Latina woman, who, in one month, lost all three of her part-time jobs as a nanny, travel agency assistant, and event planner, perhaps best expressed this anxiety: "I just don't want to touch my savings. It'll have to be a real emergency, like I don't have anything and stuff is really out of control." Ultimately, though, savings was more like a shell game than a carefully crafted financial plan. As they saved, people were also forced to spend as bills came due, supplies ran out and work remained elusive. Pre-pandemic savings dwindled, to be replenished temporarily by successive waves of stimulus checks, only to be depleted again as the rent and other bills came due.

In sum, people apportioned their UIB and stimulus payments prudently and practically while navigating the uncertainty of whether they would be extended or replicated throughout the pandemic year. They calibrated their expenditures for maximum utility, using the payments not only to prevent current crises, like evictions and utility shut-offs, but also to avoid future financial crunches by paying off credit card debt and even saving funds for emergencies and future expenses.

RETURNING TO WORK

One pandemic-year puzzle is how direct cash payments affected people's individual decisions about when, how, and if to go back to work. Our sample comprised a wide range of occupations, many hard-hit by the pandemic, including restaurants and other food services, hair salons, car and limousine drivers, arts and entertainment, child care, and health care and social services. We found that finding work was a priority, with people engaging in extended — and often ultimately unsuccessful — job searches despite branching out beyond their usual occupation. Except for parents with young children learning remotely, we did not find that direct cash benefits acted as a disincentive to work. Rather, the determinative factors were the state of the labor market, including the availability of jobs and whether they paid a living wage.

LABOR MARKET DILEMMAS

All of our respondents were employed prior to the pandemic, often with extensive work histories and stable employment. The pandemic upended their work lives, and they struggled to find new jobs in an uncertain job market that was also in flux. An example is Tyrone, a 32-year-old Black man was working at a fast food restaurant chain when the pandemic struck. Moving up from dishwasher to cook and hoping to become a manager, he was about to get a raise to $17.00 an hour when the restaurant abruptly closed in March 2020. When we first interviewed him in August 2020 he had been looking for work in construction and warehouses, where he had prior work experience. But he noticed ominous signs in the job market: fewer hours and less pay. As he explained, employers "don't have the workforce to give everybody hours . . . when everybody could get up to 30, 40 hours a week. Sometimes it's up to 20 to 25 nowadays."

> “It’s a real big difference… You can’t make ends meet the way you want with the need.”
>
> — Tyrone

Tyrone rejected two job offers because they were below a living wage for New York City and paid less than he was making when he lost his job. As he explained, he didn’t want to get himself in a “jam:” “It’s a real big difference…You can’t make ends meet the way you want with the need.” We interviewed him again six months later, in January of 2021, and he was still unemployed. He had expanded his search beyond the restaurant, construction and warehouse jobs he held in the past to also include retail, customer service, and security jobs. He recently put in 16-20 applications in a single day. But the pay is still not enough to pay his bills. Frustrated and stymied by his job search, he is presently taking steps to start a new food-related business with other family members.

Damien, a 53-year-old Black man, tells a similar story of being unable to find work. He worked in the car/limo industry as a dispatcher for the last 25 years. He also worked some “side hustles” selling hats at baseball games and driving people in his private car. The limo company laid him off in March; the baseball games stopped. UIB helped fill the holes in his income, as did the stimulus payments, but it was not enough. His savings took a dive. In past years, when he was working and flush, he had saved almost $20,000. By August 2020, when we first interviewed him, it was reduced to about $11,000 and by our second interview in January 2021 it was down to $5,000.

> “I don’t wanna work part time. It’s not gonna get me where I have to get. . . I have to work full time.”
>
> — Damien

During our first interview in August 2020, Damien reported looking unsuccessfully for driving jobs for Amazon and city transportation services. By our second interview in January of 2021 he was branching out, applying for jobs at big box stores and other retail outlets and checking websites like Indeed, but with no luck. He wanted even more than full-time work: “I don’t wanna work part time. It’s not gonna get me where I have to get. . . I have to work full time. I need to work more days. I want 50 hours a week.” But he thinks his age is working against him: “A lotta companies look at age too. They say they wasn’t supposed to discriminate, but they do . . . If you see a 25-year and a 53-year-old applyin’ for the same job, 9 times outta 10 you may take the 25-year-old.”

Respondents in other hard-hit occupations told similar tales. Sofia, a 42-year-old Latina woman living with her two adult children, had been working at the same deli for eight years when she was let go. She thought it was temporary; at first her employer kept paying her, telling her she could make it up “later in the year.” That arrangement ended, and except for a three-month stint as a census worker that ended in October, she hasn’t worked all year. She’s been fruitlessly searching for work: “I’ve been trying to apply, but the jobs that I have are all postponed. I apply online, then I get a lot of scams.” Martina, as described above, had three different jobs — as a nanny, assistant at a travel agency, and event organizer — all of which ended abruptly. She was used to piecing together part-time jobs, a work strategy she liked because it expanded her job skills and kept her busy. Over the course of the year she has only been able to find sporadic work as a nanny and as a clerical temp worker, never making enough money to pay all her bills.

These accounts are similar to what we heard from many other respondents. **People were grateful for the stimulus payments and enhanced UIB and put them to good use, but they did not substitute for work.** The path to work during the pandemic year had its own timetable, irrespective of their needs. In the first few months of the pandemic when businesses closed, people hoped that the pause would be temporary and they would be able to return to their jobs. Many of our respondents remained in touch with former employers, eager for that phone call summoning them back to work. When it didn't happen, and when it was safer to venture out again, they began searching for other jobs. Those who had worked for the same employer or in the same occupation for years suddenly had to reimagine their work lives. Many couldn't find work, or found only temporary work, which they readily accepted.

Others were hesitant to take low-paying jobs that put them several rungs lower on the economic ladder than before. **While the availability of UIB gave them breathing room for finding a better job, it did not squelch their desire for economic security through work.** In fact, it intensified it by giving them bargaining power in the labor market and the flexibility to imagine a more financially secure occupational path.

As described next, there was one group, though, for whom the receipt of direct cash benefits heavily factored into a decision not to work, or to work less. This group was parents, typically mothers, of young children who were suddenly learning remotely, and who had little choice but to prioritize parenting over work.

THE PARENTING DILEMMA

The stories of Lucia and Barbara illustrate the dilemma faced by parents who were suddenly confronted with balancing remote learning of their children at home and their own work. Both their stories are also emblematic of the career sacrifices mothers made in order to care for their children. For the last seven years Lucia supported herself and her nine-year old son with no government aid by working as a dental hygienist. She also graduated in May 2020 with a bachelor's degree in public health and was hoping to start a new career. Lucia stopped working in March 2020 when dental offices closed down for nonessential services like teeth cleaning. Like many parents, much of her time was spent supervising her son's online learning. Lucia returned to work as a dental hygienist in September 2020, reassured by new safety protocols. But she had to reconfigure her schedule so she could care for her son amidst shifting and unpredictable school schedules. This meant replacing formerly steady jobs at the same dental offices with freelancing for multiple temp agencies that sent her to different offices. It also meant working mostly weekends, when her parents could care for her son, so she could parent during the week.

Her new schedule meant a huge cut in earnings, from $1,200 to $500 a week. But as Lucia explained during our second interview in January 2021, because she is not working full time, she is still receiving $231

> “The extra $600 a week was very helpful . . . once that stopped it was very challenging.”
> — Barbara

a week in unemployment benefits. As she explained, “The fact that I still get that supplemental income from unemployment, that’s been really helpful.” She is also now eligible for more government supports, including SNAP benefits which have eliminated any food insecurity. After years of going without health insurance because she was unable to afford the premium, she and her son also now receive Medicaid. But for now, her dreams of starting a new career with her newly minted degree are on hold. As she explained “I would love to put it to good use, but right now this works for us.”

Barbara also had to pull back from work because her children needed her. She is a 30-year-old white woman who lives with her husband and four children, who range in age from 3 to 12. Before the pandemic, both parents worked, she as an insurance broker working 30 hours a week, he working full-time in sales. Barbara’s 10-year stint with the same insurance firm ended a few months into the pandemic. While the firm had switched to remote work, it was not an option for her. With four children no longer attending school in-person, including one with special needs, she “couldn’t hold it down remotely.” Her husband’s work hours were also cut, from 40 to 25.

The loss of income was disastrous to the family’s finances. They borrowed money from family, began accumulating credit card debt for the first time, and depleted their savings. The tax bill for the home they own is past due. What kept them even partially afloat was UIB, especially the booster, and stimulus payments. However, as the enhanced UIB ended remaining a full-time parent became untenable. As Barbara explained, “The extra $600 a week was very helpful . . . once that stopped it was very challenging . . . it was very difficult.” Thus, in December of 2020 she “started a new job because the unemployment ran out, the extra $600. I needed to get back to work.” Like Lucia, because of her children’s needs she’s working fewer hours — 20 instead of 32 — for a different insurance firm. As she explained, “It’s good I got a job with less hours. In general, with my kids, it was very, very hard. A lot of my kids were acting up. They had a very hard time with the school closures and not being around friends, and not having their schedule.”

Lucia and Barbara exemplify the toll of the pandemic on parents, primarily mothers. For both, it meant diminished job opportunities in the present, and for Lucia also the derailment of a new career. Rather than illustrating the perceived dangers of providing too much government support, their stories illustrate the opposite. Government aid allowed both mothers to care for their children during precarious times for families. For Barbara, its absence forced her to return to work while still managing these extraordinary pressures.

Conclusion

As these stories illustrate, direct cash payments were the single most useful tool for helping people ride out the pandemic. It made the difference between being able to pay the bills or whether a parent could stay home with suddenly homebound school-age children. It also enhanced peoples' financial management strategies by allowing them to better manage credit card use and debt and savings. As these stories further demonstrate, direct cash benefits did not diminish their work ethic. After being forced into unemployment by the pandemic, New Yorkers debated how and when to return to work, not whether they would look for employment. Many commentators have publicly worried that cash benefits in the pandemic have been too generous, and effectively encourage greater unemployment and reward those who don't want to return to work. Our results suggest these fears are greatly exaggerated. And in fact, a number of high quality recent econometric studies buttress this claim — finding either small or zero effects of unemployment insurance supplements on employment.[8] Direct cash benefits helped New Yorkers adapt to a changing work environment and labor market, while envisioning better jobs and new pathways to economic security.

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[8] *(Altonji et al., 2020; Coombs et al., 2021; Dube, 2021).*

About The Poverty Tracker

Launched in 2012, the Poverty Tracker surveys a representative sample of New Yorkers every three months, providing critical information on the dynamics of poverty and other forms of disadvantage in the city. In addition to measures on poverty and disadvantage, the Poverty Tracker collects a wealth of information on other topics such as employment, assets and debts, and health. The Poverty Tracker has monitored the impacts that COVID-19 and the related economic downturn has had on life in New York City since the onset of the pandemic. The majority of the results presented in this report come from the Poverty Tracker's COVID-19 Surveys, which were specifically designed to quantify the pandemic's impact on employment and experiences of material hardship and disadvantage.

Study Design

- **We conducted a rolling set of remote qualitative interviews from July 2020 through May 2021 with 38 adults in New York City, who fell below 200% of the poverty line and who either lost income or employment as a consequence of COVID-19.**
- **We interviewed most people twice, at about six-month intervals, to track over time their experiences with successive waves of stimulus payments and enhanced UIB benefits, their spending of these benefits, and their efforts to return to work.**
- **Our sample comprised a wide range of occupations, many hard-hit by the pandemic, including restaurants and other food services, hair salons, car and limousine drivers, arts and entertainment, child care and health care, and social services.**