

With a safety net geared toward the employed, federal pandemic aid is leaving out millions in need

Article based on April 10 panel discussion: [COVID-19: Economic Impact, Human Solutions](#)

Since mid-March, millions of people who have lost jobs during the coronavirus pandemic are applying for unemployment insurance. Public and private health systems are struggling to cope with the crush of coronavirus patients at hospitals, and the Centers for Disease Control and Prevention and other government agencies are attempting to lead the country out of the public health emergency.

Within just a few weeks, the U.S. unemployment rate and resulting levels of financial insecurity have reached levels that haven't been seen since the Great Depression. Government aid has provided a critical lifeline for many Americans amidst the medical and economic devastation of the pandemic, but what has also become clear is that the country's safety net is badly frayed. Following decades of spending cuts, tightened eligibility requirements, and strict work restrictions, government aid is not reaching some of the most vulnerable populations just when they need it most.

Professor of Economics and Public Policy, and Opportunity Lab Director Hilary Hoynes, whose research focuses on the impacts of aid programs on low-income families, said the coronavirus pandemic reveals the limits of the country's safety net to help people in times of crisis. On April 10, she spoke at a panel on the pandemic's economic impacts and how the federal CARES Act has attempted to respond to the crisis.

Work requirements for receiving federal poverty aid implemented over the past 25 years, as well as the funneling of more poverty aid through the mechanism of the Earned Income Tax Credit, have left the system unprepared to help people who have lost their jobs, Hoynes said.

"If you build a social security net based on an assumption of work, is it surprising that it doesn't do well when we don't have work? It's not surprising at all."

"A predetermined feature of our social safety net that becomes clear in times of recession is the U.S. has built its assistance system on a kind of conditionality that assumes that families must work to get the assistance they may be eligible for," Hoynes said. "So...if you build a social security net based on an assumption of work, is it surprising that it doesn't do well when we don't have work? It's not surprising at all."

Another example of the safety net's work orientation is the fact that the direct payments the federal government is distributing are contingent upon recipients having filed federal income tax returns. That distribution system ends up leaving out millions of those who were already without work and have not filed tax returns.

“We know that a dramatic number of needy Americans are not filing taxes because they have more precarious low levels of earnings and are not required to submit taxes,” Hoynes said.

“And those individuals, while eligible for direct payment, have to go through the process of filing taxes to initiate payments, which will not be received for many months.”

Expanding benefits through SNAP - formerly known as the food stamp program - would be one way to target aid to those who need it most, Hoynes said.

“One very important thing we want to include in the next phase (of coronavirus response) that is very targeted and very timely would be to expand benefits under the food stamp program, SNAP nationally or CalFresh here in California,” Hoynes said.

The CARES Act’s focus on legally employed Americans has also left out millions of undocumented people who have also lost work due to the pandemic. “The undocumented population is not eligible for the many protections and benefits we talk about today,” Hoynes said.

Professor of Economics Gabriel Zucman said the country’s employer-based health insurance system is also exacerbating the health care gap as people lose jobs during the pandemic. So far, the CARES Act has not expanded medical insurance to everyone needing COVID-related care.

“I think that’s one thing that’s missing in the CARES Act, basically the government saying we will cover all COVID-related care,” Zucman said. “We’ve seen stories already of people who died because they didn’t seek treatment because they were worried about the cost because they didn’t have insurance. That’s something you only see in the U.S. and that’s something the next bill should tackle.”

To read more on Hilary Hoynes’s research into the important of the safety net and nutrition assistance, please check out the following resources:

- <https://equitablegrowth.org/policies-to-strengthen-our-nations-supplemental-nutrition-assistance-program/>
- <https://www.nber.org/papers/w26942>
- <https://gspp.berkeley.edu/directories/faculty/hilary-hoynes#research>

To read more of Gabriel Zucman’s research and commentary on the international response to COVID-19, please take a look at the following resources:

- <https://voxeu.org/article/progressive-european-wealth-tax-fund-european-covid-response>
- <https://www.nytimes.com/2020/03/30/opinion/coronavirus-economy-saez-zucman.html>