# focus on poverty

Vol. 37, No. 1
June 2021
ISSN: 0195–5705

## Assessing the Responsiveness of the U.S. Safety Net to the COVID-19 Economic Crisis

The American safety net consists of several programs that provide assistance and support to people experiencing hardships. While many programs are mandated at the federal level, much of the funding for and implementation of them occurs at the state level, which can create a confusing and uneven patchwork of coverage.

The three articles in this issue draw from papers published in volume 686 of the ANNALS of the American Academy of Political and Social Science. This volume focused on entitlement reform and was published in December 2019. We thank volume editors and IRP affiliates Robert Moffitt of Johns Hopkins University and James Ziliak of University of Kentucky for working with us to identify topics for this issue of Focus on Poverty (formerly Focus).

When these papers were originally written and published, the world was barely aware of what was on the horizon. The COVID-19 pandemic affected not only people's physical and mental health, but also whether and how they were able to work or study, or even to feed, clothe, and house themselves and their loved ones. In this issue of Focus on Poverty, we examine how well some key social safety programs addressed the unprecedented increase in needs. Authors also share what lessons can be learned from this crisis for the system to react more quickly and effectively in the future.

We begin with an assessment of the Unemployment Insurance (UI) program by Till von Wachter, Professor of Economics at the University of California, Los Angeles. UI is the largest safety net program for working-aged adults in the United States. This examination was valuable pre-COVID, and even more important given the precipitous increase in unemployment and the number of people seeking help from the UI program during the pandemic. This assessment also considers changes and expansions that were part of the Pandemic Unemployment Assistance package, including coverage for self-employed, contract, and gig workers.

Next, Robert Collinson of University of Notre Dame, Ingrid Gould Ellen of New York University, and Jens Ludwig of University of Chicago share a history of housing assistance in the United States and recommendations for how the system can be more responsive to those who qualify for support. The types of housing assistance most commonly available have changed over the years and include both support tied to a particular location and dollars that go with the tenant. In a system where only a fraction of people who qualify receive help, and even fewer receive help quickly, there is significant room for improvement. Reforms include tailoring the program more to local conditions such as availability of housing stock and cost of living, as well as standardizing available benefits from region to region and state to state.

Finally, the Supplemental Nutrition Assistance Program (SNAP, previously called the Food Stamp Program) is a key element of the social safety net. Diane Whitmore Schanzenbach of Northwestern University explains how it has been an effective program, and why reforms should be undertaken cautiously in order to avoid making the system less efficient and effective. She also examines the critical role SNAP played during the COVID-19 pandemic; it not only provided much-needed support to struggling families, it was also an important influx of funds for struggling local economies.

In our Research to Watch section, we preview research dealing with the reluctance of some mixed-immigration status households to apply for SNAP benefits due to fears of being targeted for deportation. Juan M. Pedroza, Assistant Professor of Sociology, University of California, Santa Cruz, and his coauthors are examining the role that community-based organizations are playing in California to educate relevant populations and to counter those fears. According to Center for the Study of Immigrant Integration, 5.9 million children nationwide have at least one unauthorized family member. This suggests that mixed-status households who forego accessing the food assistance benefits to which they are entitled could have a significant impact on food security for children.

IRP focus on poverty

June 2021 | Vol. 37, No. 1

# Modernizing the Unemployment Insurance system to better respond to economic downturns

Till von Wachter

## TAKEAWAYS

**During periods of economic downturn such as during the COVID-19 pandemic, the UI system support is particularly important.**

**Mandating minimum UI benefits at the federal level could prevent states from reducing benefits to address budget shortfalls.**

**A federally financed, trigger-based system would ensure smooth and quick UI system expansion during recessions without having to wait for Congress to act.**

**Expanding the tax base and requiring states to maintain minimal reserves would greatly stabilize funding sources.**

**Self-employed, contract, and gig workers covered by Pandemic Unemployment Assistance should be included in the regular UI system.**

Institute for Research on Poverty
UNIVERSITY OF WISCONSIN–MADISON
irp.wisc.edu

**The Unemployment Insurance system (UI) is the largest general** social insurance program in the United States for individuals of working age. It is particularly important in times of economic recession such as during the COVID-19 pandemic, since it provides temporary compensation to those who have lost jobs and helps provide economic stability. The UI system has remained largely unchanged since the mid-1970s although the labor market has shifted dramatically; notable changes include deindustrialization, increasing participation by women, growing wage inequality, a rise in independent contracting concentrated in some industries, and technological advancement. Moreover, the UI system has always had lower coverage of minorities, women, and lower income workers. This article describes the current UI system and some suggested reforms to help the UI system better support the current workforce, be more equitable, and be more responsive to economic downturns.[1]

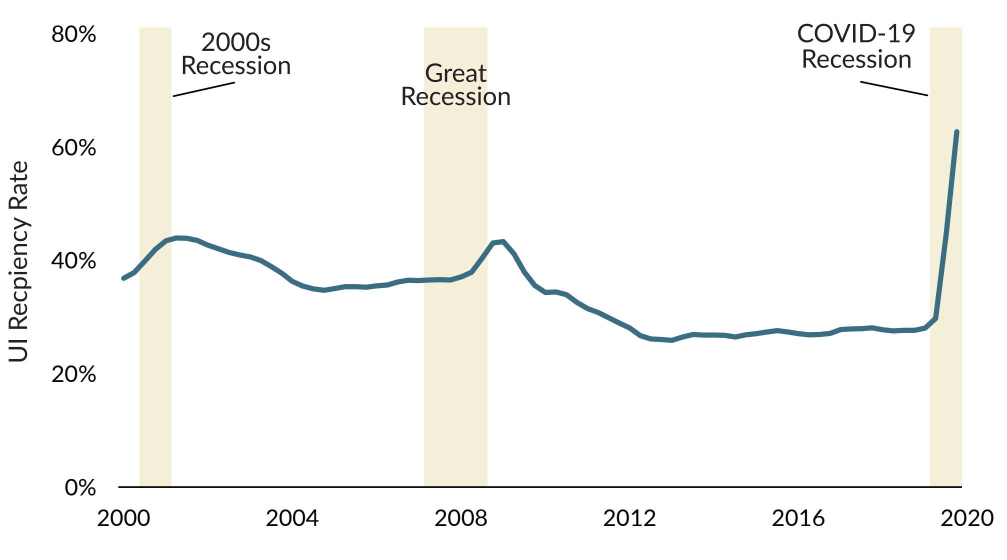
> The UI system has remained largely unchanged since the mid-1970s although the labor market has shifted dramatically.

## Overview of the UI program

While the U.S. Department of Labor oversees the UI system, it is administered by individual states. The basic program in most states provides up to 26 weeks of benefits to workers who become unemployed through no fault of their own. UI benefits replace about half of their previous wages, up to a maximum benefit amount. Applicants are required to demonstrate a past work history, usually measured by the amount of earnings received over a set period. States typically require earnings above a certain amount in four out of five prior calendar quarters, with thresholds varying across states.

States provide most of the funding and pay for the actual benefits provided to workers; the federal government pays only the administrative costs. Each state may design their own program within the constraints of the federal requirements, and eligibility requirements and benefit terms vary widely across states. In February 2020, prior to the beginning of the COVID-19 recession, average weekly benefits were about $387 nationwide, with a wide range across localities. For example, the weekly average was only $161 in Puerto Rico and $215 in Mississippi, with a high of $550 in Massachusetts.[2] The maximum number of weeks of benefit receipt also varies by state. While many states use the federal maximum of 26 weeks, some states set a lower maximum, such as 13 weeks in Missouri, and 12 to 23 weeks in Florida, depending on the state's unemployment rate. States also have flexibility on the type of work history required for eligibility, so that low-income or younger workers with limited prior earnings may be eligible in some states but not others.

**Figure 1. Unemployment Insurance recipiency rates settled at about 25% after the Great Recession but grew to historic heights amid the COVID-19 economic shock and due to temporary policy changes intended to boost uptake.**




**Sources**: UI Recipiency: US Department of Labor, Unemployment Insurance Data. 2000-2020. https://oui.doleta.gov/unemploy/data_summary/DataSum.asp. Recession Data: National Bureau of Economic Research: https://fred.stlouisfed.org/series/USRECQ.

**Notes**: Recipiency rates are the average of each quarter and preceding three quarters to smooth seasonal variation in UI recipiency trends. UI Recipiency peaked at 98% in Quarter 3 of 2020.

## Program financing

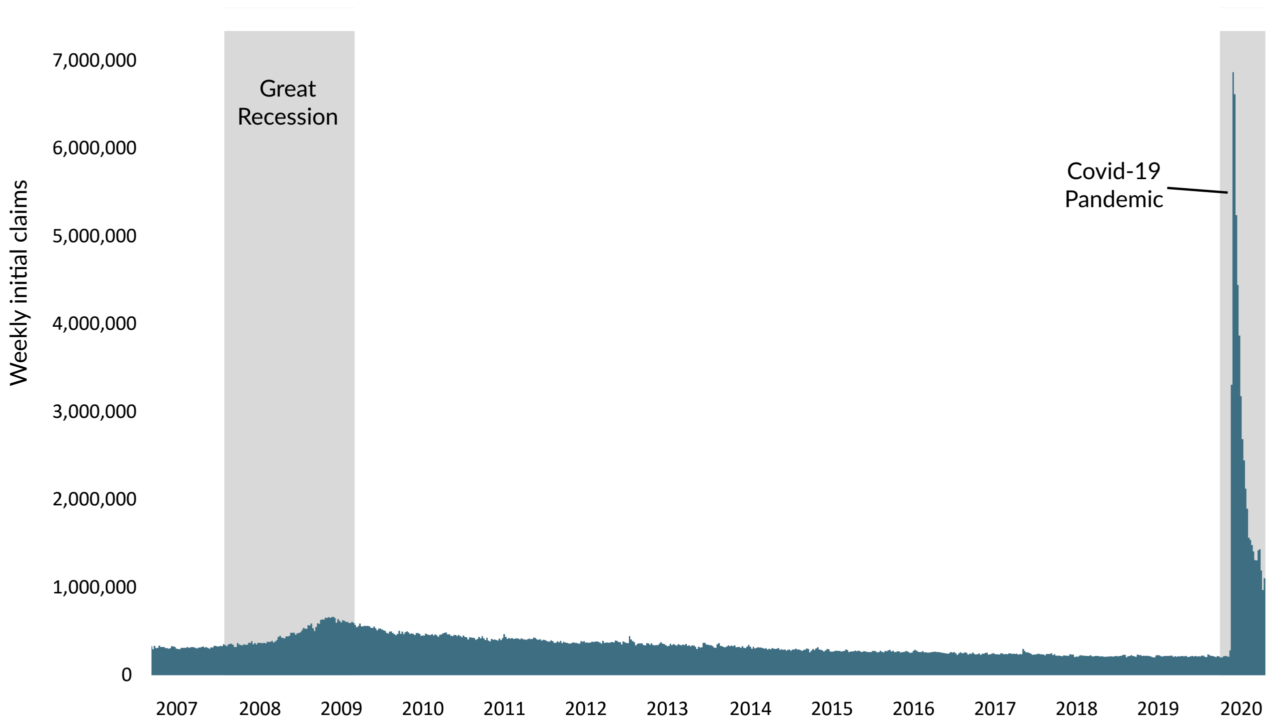
While states may set their own financing structure, nearly all choose to fund their programs through employer payroll taxes. In good economic times, states build up rainy day "trust funds" to protect against future economic downturns. When recessions occur, states dip into their trust funds and, in a severe recession, may need to borrow money from the federal government to make up the shortfall. After the Great Recession of 2007–2009, states had to rebuild their trust funds by either raising taxes or reducing benefit amounts. Faced with this choice, many states reduced benefits by, for example, lowering maximum duration to as low as 13 weeks, or by tightening eligibility restrictions. As a result, as shown in Figure 1, just over 1 in 4 unemployed individuals was actually receiving UI benefits in 2018, shortly before the COVID-19 recession began.

COVID-19 led to a rise in the number of UI claims among more vulnerable workers, including women, minorities, less educated, and younger workers losing jobs in accommodation and food and retail sales industries, among others.

## UI and COVID-19

The COVID-19 recession caused a steep increase in new applications for UI benefits. As shown in Figure 2, this spike greatly exceeded any from prior economic downturns, including the Great Recession. COVID-19 also led to a rise in the number of UI claims among more vulnerable workers

Figure 2: Weekly unemployment claims spiked dramatically during the COVID-19 pandemic.




**Sources**: Unemployment initial claims: U.S. Department of Labor, Office of Unemployment Insurance. Weekly Claims Data. https://oui.doleta.gov/unemploy/claims_arch.asp. Retrieved 14 September 2020. Recession data: National Bureau of Economic Research, US Business Cycle Expansions and Contractions. https://www.nber.org/cycles.html. Retrieved 14 September 2020.

including women, minorities, less educated, and younger workers losing jobs in accommodation and food and retail sales industries, among others.[3]

The Extended Benefits Program, established in 1970, is activated by national and state unemployment rates reaching a certain "trigger" threshold and provides from 13 to 20 additional weeks of UI benefits. However, half of these benefits must be paid by the states, which also typically experience financial shortfalls during recessions. Congress can authorize the federal government to pay all Extended Benefits or authorize federally funded Emergency Unemployment Compensation, as happened during the Great Recession.

Aside from any designed trigger response, expansion of UI access, benefit amount, and duration during an economic downturn requires legislation. In response to the spike in unemployment resulting from COVID-19, the federal government enacted a number of expansions, including increasing the dollar amount of benefits (an additional $600 per week for four months in the spring and summer of 2020, then an additional $300 per week for some claimants during August-September, followed by $300 for all claimants beginning in late December 2020), extending the maximum number of weeks that benefits can be received (first adding 13 weeks, then an additional 11 weeks), and funding the Pandemic Unemployment Assistance program for the self-employed, independent contractors, and those with short work histories who otherwise would not be eligible for benefits (see Figure 3).

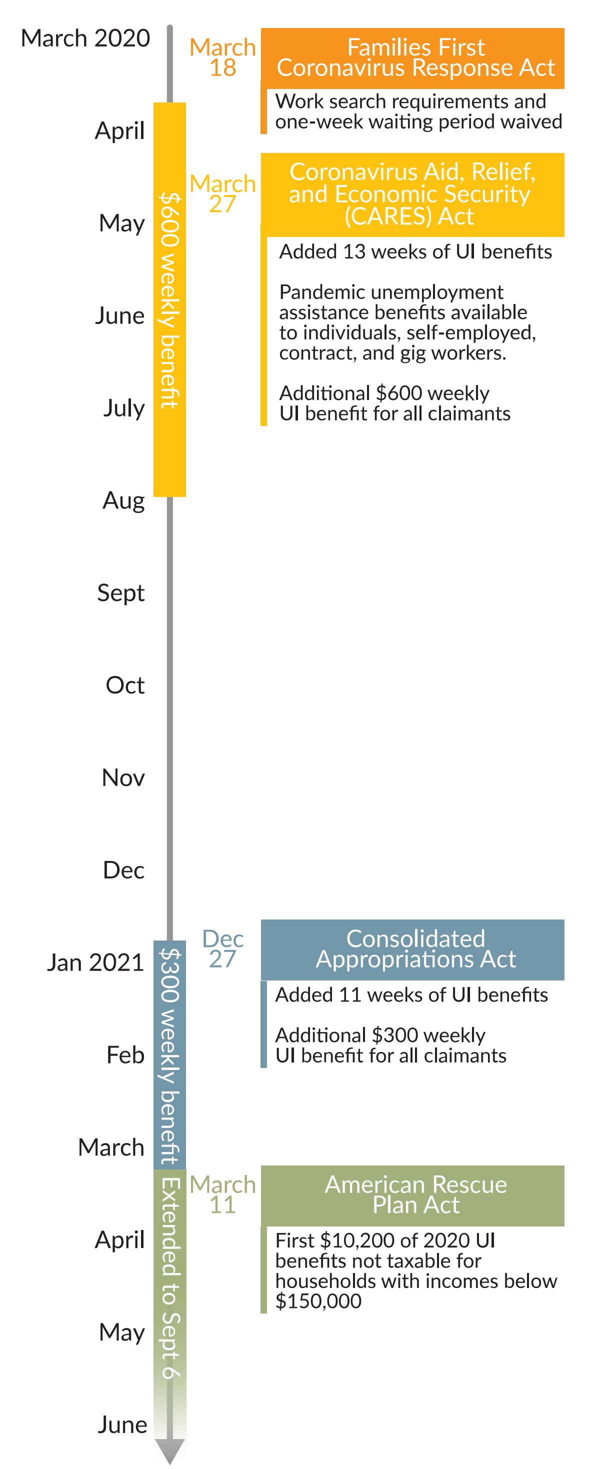
## Effects of UI on workers and employers

Economists have long been concerned that UI may lead unemployed workers to stay out of the labor market for longer than they would have in the absence of benefits. Indeed, evidence suggests that both higher benefit amounts and longer maximum receipt periods are associated with longer periods of time out of the workforce for those receiving benefits.[4] While research on this question is ongoing, it appears likely that there are behavioral consequences that should be taken into account when considering potential system reforms.

Much research has focused on determining the appropriate amount and duration of UI benefits, given the potential tradeoff between providing unemployed individuals with sufficient support and reducing the incentive to return to work. Current estimates suggest that benefit amounts equal to half of prior wages and durations of 26 weeks or less may be less than optimal.[5] This work also suggests that during recessions, UI benefit levels should be higher and should be available for longer periods of time.

Employers potentially also respond to the system. In particular, firms releasing many workers into UI will see increased UI taxes (a system called experience rating). This may lead some firms to refrain from using the system or give them an incentive to question their employees' UI claims. A broader concern is that many firms may not think of the system as a resource, contributing to the low rates of uptake of UI among their employees.

**Figure 3. Federal COVID-19 pandemic relief legislation: Primary unemployment benefit provisions.**




## Potential reforms to UI

There are many ways that the UI system could be improved while retaining the central principles of the current system. In particular, there are several potential reforms that would make UI more responsive in times of recession, such as that resulting from the COVID-19 pandemic.

### Mandate minimum benefits

Prior to the COVID-19 pandemic, and in part to address financial issues in the wake of the Great Recession, several states reduced maximum benefit durations below the typical 26-week length. There is considerable variation among states in both maximum duration and benefit amount but no compelling reason why workers in different states should face different levels of benefit generosity. The federal government should mandate a minimum potential duration of benefits of 26 weeks, and an average benefit level of 50% of prior wages. Benefit amounts should also include an allowance to provide additional support to families with dependent children and for low-wage workers who could not support a family based on 50% of their earnings.

### Improve UI response to recessions

UI provides critical support to workers in times of recession. Experiences of both the aftermath of the Great Recession and the COVID-19 pandemic demonstrate that relying on the political process to extend UI benefits in times of economic downturn can lead to gaps in coverage for affected workers. Thus, the current Emergency Unemployment Compensation program, which requires an act of Congress to implement, should be replaced with a federally financed trigger-based program.[6]

Only 25% of U.S. earnings covered by UI laws are currently subject to state UI payroll taxes, a consequence of growing wages and low taxable wage bases that are not set to increase as average wages rise. The minimum taxable wage base, set by the federal government, has remained at $7,000 since 1983. While most states have set a wage base that exceeds the federal minimum, most are relatively low—$15,000 or less—and some states, such as California and Florida, continue to use the $7,000 federal minimum.[7] Many states' UI tax rates have remained low as well. As a result, many states have trust funds that are inadequate to withstand a recession, and thus have increasingly had to resort to borrowing in order to pay UI benefits during periods of economic downturn. To address this, the minimum taxable wage base should be expanded, and states should be required to hold minimum reserves to cover UI benefits during a recession without depleting the state trust fund.

Experiences of both the aftermath of the Great Recession and the COVID-19 pandemic demonstrate that relying on the political process to extend UI benefits in times of economic downturn can lead to gaps in coverage for affected workers.

## Serve a broader group of workers

The COVID-19 pandemic has suggested that at least in large economic downturns, there is a need to provide income insurance to those workers currently not eligible for benefits. A large share of potentially unemployed workers is not covered by the standard UI system. This is in part due to changes in the structure of the workforce in recent decades, with rising part-time employment, especially among women, and increasing numbers of self-employed, contract, and gig workers. In addition, the UI system has always had lower coverage of minorities, women, and lower income workers.[8] The Pandemic Unemployment Assistance program did extend benefits to more workers, but this is not part of the regular UI system. The increase in contract workers in certain industries means that more and more lower- to middle-income workers are at risk of being excluded from the UI system.

While some states have made benefits available to larger groups of workers, there is great variation in UI eligibility. Eligibility standards should be more uniform across states. Reforms to achieve this should include those proposed in the American Recovery and Reinvestment Act of 2009, such as allowing for UI beneficiaries to receive job training, allowing part-time workers to claim benefits, enhancing the mobility of working couples by making workers who leave a job for a family-related move eligible for UI, and using an alternative base period to raise eligibility among workers with lower or unstable earnings that meet federal guidelines. Policymakers should consider ways to extend UI coverage to these workers, possibly drawing on how self-employed workers contribute to Social Security and Medicare.

## Improve program operations and effectiveness

States must collect data on workers' wages, UI benefit amounts, and employers' UI taxes in order to maintain daily operations of their UI programs. However, little of this data is shared with federal agencies and thus not readily available to researchers. Establishing a national data collection system would both improve program operations and permit researchers to collect and evaluate evidence on UI effectiveness. These changes should be supported by providing states with common software and funding for hardware upgrades. Data collection reforms should also establish protocols to allow safe and secure access to the data for research purposes and as a feedback loop for UI system improvements.

## Other reforms

### *Modernize UI technology systems*

Most states use outdated technology systems to administer UI claims.[9] These systems made it very challenging for states to efficiently provide unemployment benefits to workers during the pandemic. In particular, the Pandemic Unemployment Assistance program—which extended benefits to self-employed, contract, and gig workers—was very difficult for states to implement quickly because of the different types of documentation needed for these workers to verify their incomes.[10] Modernizing these technology systems would help states administer currently-eligible claims and to adapt to future expansions of the UI system. Such modernization would also aim at increasing the rate of UI benefit receipt, especially among more vulnerable workers who may have difficulty accessing online platforms. The system should also routinely generate data that would allow monitoring of how equitable access to UI is across demographic groups, regions, and states.

### *Reform firms' UI tax rates*

The current UI tax structure subsidizes more volatile industries such as construction, manufacturing, and mining.[11] This is because firms' UI use is not fully reflected in their payroll tax rates. Research suggests that if UI taxes would fully reflect firms' layoff histories it would encourage employers to reduce the number of layoffs during recessions and result in stable hiring during economic expansions.[12] At the same time, high tax rates can encourage firms to fight their workers' UI claims, something that could particularly affect already vulnerable workers. Any serious efforts towards UI reform must incorporate how firms interact with the UI system, and how this differs across employers.

### *Add a "job seeker allowance"*

UI applicants must generally meet certain past earnings or work history levels in order to receive benefits. As such, unemployed individuals with limited work history may not qualify for traditional UI benefits. Adding a job seeker allowance could provide short-term assistance to these workers and help to improve job outcomes.[13]

## Proposals for innovation

While the reforms described above would modernize the UI system and help make it more responsive during periods of economic downturn, the system as currently designed cannot prevent or protect against large and long-term earnings losses resulting from layoffs. Below are two potential innovations of the existing system that could greatly expand its reach without creating an entirely new program.

### *Institute a work sharing system*

States have increasingly instituted work sharing programs allowing workers to receive prorated UI benefits while remaining employed as an alternative to layoff. Evidence from other countries suggests that work sharing can greatly reduce layoffs and allow employers to retain their employees even during periods of economic downturn. However, few employers in the United States have made use of these programs, in part due to lack of awareness of the option, and to restrictive program rules. Unlike with other special programs in the UI system, there is also currently no experimental evaluation of the effects of work sharing programs. Policymakers should consider expanding the current work sharing options to increase the number of participating states and employers and institute a comprehensive formal evaluation of different aspects of the program.

### *Experiment with wage insurance*

Since UI insures only a fraction of the total potential earnings loss of those who become unemployed, it can only partially act as an insurance mechanism and automatic stabilizer during recessions. A number of researchers suggest complementing the current UI system with wage insurance. Such a program would make up part of the gap between wages at the time of layoff and current wages and would thus help reintegrate the long-term unemployed into the labor market, even at a lower wage. A closely related approach is paying reemployment bonuses to workers who exit UI, something promoted by several states during the COVID-19 pandemic. By speeding up reentry, this could provide a cost savings by lowering UI payments. The existing literature does suggest that similar programs can raise job-finding rates and be cost effective when targeted appropriately.[14] Wage insurance is a policy tool that is certainly worth additional research and an experimental evaluation to assess its impacts.

## Policy implications and future research

Several of the reforms described here would be particularly useful in making the UI system more responsive during economic downturns—especially during those as extensive as the COVID-19 recession. These include mandating minimum UI benefits at the federal level to prevent states from reducing benefits to address budget shortfalls; instituting a federally financed, trigger-based system to ensure that the UI system can be quickly and smoothly expanded on a temporary basis during recessions; stabilizing funding by expanding the tax base and requiring states to maintain minimal reserves; and increasing the proportion of unemployed workers who are covered by the system. All but the last of these are supported by research evidence, longstanding regulatory experience, or both. More U.S.-based evidence is also needed on the potential for a system of work sharing or wage insurance to prevent significant long-term earnings reductions associated with job loss. Overall, UI has shown itself to be a crucial program for American workers that is worthy of being modernized and strengthened through appropriate reforms.■

*Till von Wachter is Professor of Economics at the University of California, Los Angeles.*

---

[1]This article draws on: von Wachter, T. (2019). Unemployment Insurance Reform. *The ANNALS of the American Academy of Political and Social Science*, 686(1), 121–146. https://doi.org/10.1177/0002716219885339

[2]Center on Budget and Policy Priorities. (2021). *Policy Basics: Unemployment Insurance*. https://www.cbpp.org/research/economy/unemployment-insurance

[3]See: Bell, A., Hedin, T.J., Moghadam, R., Schnorr, G., von Wachter, T. (2021). *An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic*. California Policy Lab, University of California, Los Angeles.

[4]See, for example: Schmieder, J. F., and von Wachter, T. (2016). The effects of unemployment insurance benefits: New evidence and interpretation. *Annual Economic Review*, 8, 547–81.

[5]See, for example: Chetty, R. (2008). Moral hazard versus liquidity and optimal unemployment insurance. *Journal of Political Economy*, 11 (2), 173–234.

[6]For a discussion of the current system of triggers and an example of a design problem and a reform proposal, see Bell, A., Hedin, T.J., Schnorr, G., von Wachter, T.. 2021. *Why Extended UI Benefits were Turned Off Prematurely for Workers in 33 States*. California Policy Lab, University of California Los Angeles.

[7]The other states or U.S. territories that use a $7,000 taxable wage base are Arizona, Puerto Rico, and Tennessee; see https://www.apspayroll.com/resources/payroll-taxes-rates-and-changes/suta-wage-bases/.

[8]See: Bell, A., Hedin, T.J., Moghadam, R., Schnorr, G., von Wachter, T. (2021). *As Crisis Continues, More Unemployed Californians are Receiving UI Benefits*. California Policy Lab, University of California Los Angeles.

[9]Simon-Mishel, J., Emsellem, M., Evermore, M., Leclere, E., Stettner, A., & Coven, M. (2020) *Centering Workers—How to Modernize Unemployment Insurance Technology*. The Century Foundation. https://s27147.pcdn.co/wp-content/uploads/UI-mod-report_FINAL.pdf

[10]Goger, A., Loh, T.H., & George, C. (2020) *Unemployment insurance is failing workers during COVID-19. Here's how to strengthen it*. The Brookings Institution. https://www.brookings.edu/research/unemployment-insurance-is-failing-workers-during-covid-19-heres-how-to-strengthen-it/

[11]Anderson, P. M., and Meyer, B.D. (1993). Unemployment Insurance in the United States: Layoff incentives and cross subsidies. *Journal of Labor Economics*, 11 (1, part 2), S70–S95.

[12]Rejda, G. E., and Rosenbaum, D.I. (1990). Unemployment insurance and full-cost experience rating: The impact on seasonal hiring. *Journal of Risk and Insurance*, 57 (3), 519–29.

[13]West, R., Dutta-Gupta, I., Grant, K., Boteach, M., McKenna, C., and Conti, J. (2016). *Strengthening unemployment protections in America*. Washington, DC: Center for American Progress. https://www.americanprogress.org/issues/poverty/reports/2016/06/16/138492/strengthening-unemployment-protections-in-america/

[14]Meyer, B. D. (1995). Lessons from the U.S. unemployment insurance experiments. *Journal of Economic Literature*, 33 (1), 91–131; O'Leary, C. J., Decker, P.T. and Wandner, S.A. (2005). Cost-effectiveness of targeted reemployment bonuses. Journal of Human Resources 40 (1), 270–79.

IRP focus on poverty

June 2021 | Vol. 37, No. 1

# Reforming housing assistance to better respond to recipient needs

Robert Collinson, Ingrid Gould Ellen, and Jens Ludwig

## TAKEAWAYS

**Only a fraction of people whose incomes quality them for housing assistance receive help.**

**The types of housing assistance available have changed over time but still do not meet the need as effectively as it could.**

**Housing assistance should be designed to better reflect local and regional realities, including differences in cost of living, availability of rental properties, and unemployment rates.**

**Expansions of housing assistance should be carefully designed to reduce inflationary effects and broaden the set of neighborhoods open to recipients.**

**If resources continue to be limited, government should experiment with providing smaller or more time-limited subsidies to a larger number of people.**

Institute for Research on Poverty
UNIVERSITY OF WISCONSIN–MADISON
irp.wisc.edu

**Federal housing policy in the United States is complex in both** its structure and its implementation. It is enacted through a variety of programs at the federal level, but administered in many cases at the state, county, or local level. In addition, it is intended to achieve several goals, including reducing homelessness, alleviating the budgetary strains on low-income families when their rental costs consume an unsustainable portion of their income, and improving both the quality of housing that families occupy and surrounding neighborhood conditions.

In our paper "Reforming Housing Assistance,"[1] we review evidence on the effectiveness of the three main federal vehicles for providing housing assistance to low-income families, lay out current challenges and potential improvements to each program, and propose further research needed to fully inform future policy initiatives.

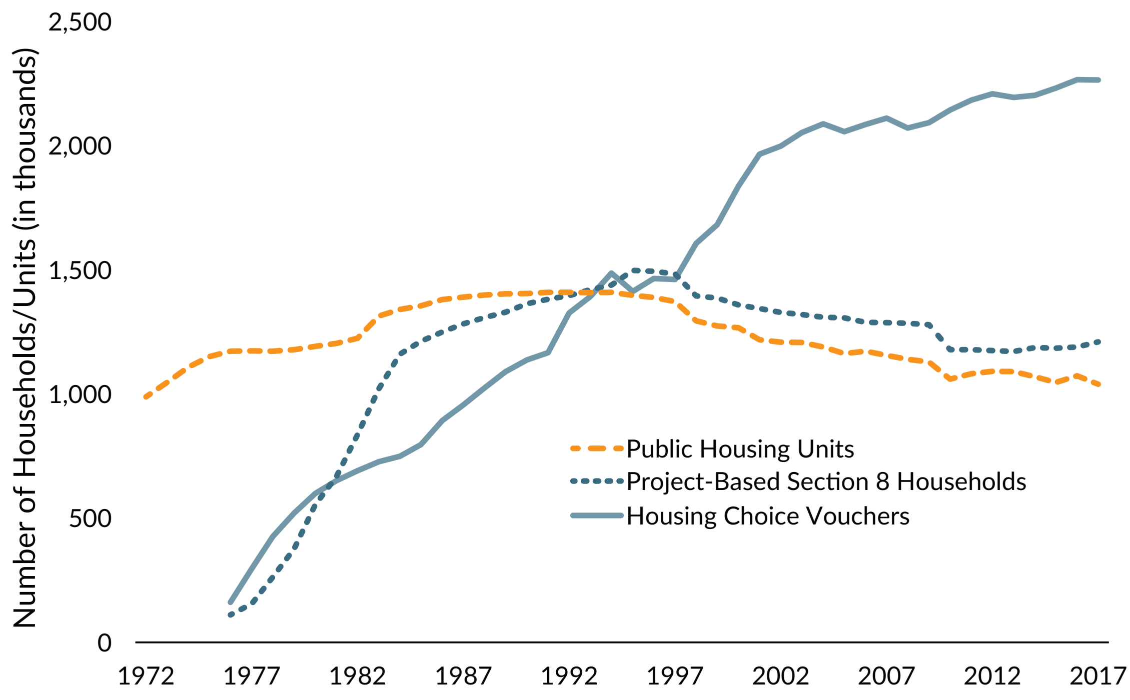
We recommend changes to current federal housing assistance programs so that they can more effectively serve people living in poverty. These include improving how programs take into account regional and state-level variations in the cost and availability of housing, reassessing the level and duration of assistance and to whom it should be targeted, and broadening the set of homes available to recipients of housing assistance beyond those located in areas that are low-income and predominantly Black or Hispanic.

Each year, almost 10 million people in about 4.5 million households receive one of these forms of housing assistance through HUD. The average income of households receiving this assistance falls between $12,000 and $15,000, and many are either headed by an elderly individual or include a person living with a disability.

## The landscape of housing assistance

Of the three main federal housing programs, two—public housing and subsidies for privately-owned housing—are tied to location, while the third—housing vouchers—can move with the tenant. While there are some differences in eligibility criteria by program, all forms are limited to low-income households. Each year, almost 10 million people in about 4.5 million households receive one of these forms of housing assistance through HUD. The average income of households receiving this assistance falls between $12,000 and $15,000, and many are either headed by

**Figure 1. Public housing and project-based households have declined slightly since 1992, while the number of housing choice vouchers has grown substantially.**




**Source**: Public Housing, Tenant-Based Voucher, and Project-Based Section 8 come from HUD's Annual Performance Report 1999–2013. See https://www.hud.gov/progra m_offices/spm/appr. Pre-1998 numbers for HUD programs come from Olsen (2003).

an elderly individual or include a person living with a disability. The Low-Income Housing Tax Credit (LIHTC) meanwhile subsidizes 2.2 million housing units.

The number of public housing units grew steadily from the mid-1950s until the mid-1970s, at which point the preference shifted to subsidies for privately-owned low-income housing, and vouchers given directly to low-income renters. Voucher provision saw the most growth through the 1990s, but since 2000, spending on public housing has stagnated.

Any examination and assessment of housing assistance must be viewed through the lens of availability. While other means-tested supports are available to anyone who qualifies, given current funding levels, only about 25% of households that meet the eligibility criteria for housing assistance receive it, and wait lists can be long. To further compound the challenges faced by voucher holders, the most recent study[2] estimated that three in ten households with vouchers are unsuccessful in using them, and found that close to four in ten households were unable to use their vouchers in more competitive housing markets.

One reason that those who receive voucher-based housing assistance may face difficulties in finding suitable housing is that they experience discrimination from landlords, even when it is illegal to do so. This discrimination has been documented in particular in areas in which few poor people are living. This means that the goal of reducing high concentrations of very poor residents is harder to achieve because they are shut out of more affluent neighborhoods.

## Public housing

Public housing was the first large-scale housing program to provide support to low-income families in the mid-20th century. For many, it is these large-scale developments, or "the projects," that epitomize public housing, and have negative connotations as substandard, segregated, and dangerous places to live. That image obscures the reality of the conditions out of which people were moving and ignores the fact that many of the worst public housing developments were demolished under the Housing and Urban Development (HUD) HOPE VI program, which began in 1993. But racial segregation was a reality, with 72% of public housing in the 1960s being occupied by people of a single racial group, African Americans, which was often encouraged and enforced by local politicians.[3]

Established by the Housing Act of 1937, construction of public housing was meant to be paid for by the federal government, after which local housing authorities were to operate and maintain the buildings and units. The expectation was that the rents collected at the local level would pay for management, operation, and upkeep. But that revenue proved insufficient and, in 1974, HUD stepped in to help close resource gaps and to assist with renovations and capital improvements. Even so, a HUD study released in 2010 found that the 1.1 million public housing units nationwide were severely lacking, needing $25 billion in capital improvements.[4]

Another challenge for public housing is location. Organized resistance to public housing siting proposals was more successful in higher-income neighborhoods with smaller minority populations. As a result, public housing developments were more frequently located in lower-income, minority neighborhoods with fewer public resources and often including lower-performing schools.[5]

> Trying to find ways to stretch housing dollars further and addressing the issue of access in the absence of expanding available funding is essential. Housing is expensive, and at current funding levels, existing programs can only serve one in four eligible households.

### *Public housing and children*

According to 2017 data compiled by HUD[6], 38% of households in public housing include children. Past research has found that regardless of race, families in public housing were 16% less likely to experience overcrowding, which can have positive effects on children.[7] Academic achievement measured by rates of being held back a grade were no worse for White children in public housing, and their Black peers experienced a 19% reduction in having to repeat a grade relative to Black children from families with similar incomes but not living in public housing. It is important to note, however, that there is evidence that some schools in higher-poverty areas are less likely to hold children back.

Recent research compared siblings who had spent time living in public housing in order to draw conclusions about how the housing situation influenced their experiences later in life.[8] While the study design could not completely eliminate other factors that might contribute to siblings having different outcomes, the comparisons are suggestive.

The data show that longer stays in public housing had a positive effect on earnings as an adult. In fact, they found that every year spent as a teenager in public housing added 4 to 5% in earnings at age 26. And when that effect is extended over a public housing resident's working life, each of those years adds more than $40,000 in lifetime earnings. In addition, time spent living in public housing as a child correlates with lower levels of adult incarceration, which is especially significant given that the populations of both public housing and prisons and jails are disproportionately people of color.

### *Public housing and labor*

One economic consideration of public housing is whether there is an impact on labor supply. The thinking on this has shifted significantly over the years. In the early years of public housing programs, economists believed these high-density developments would provide local businesses access to employable adults. But a review of literature done within the last two decades asserted that housing assistance in general does not tend to augment the workforce.[9] In fact, a more comprehensive study that used data from the Survey of Income and Program Participation (SIPP) found that public housing residents had earnings that were 19% lower than their SIPP counterparts who lived in a different type of residence.[10] One explanation for their lower earnings is the high percentage of public housing residents who are living with a disability, as noted above.

## Federally subsidized private developments

The limitations and shortcomings of public housing called for a different location-based approach. In the 1960s, the federal government began giving subsidies to private developers in exchange for agreements to provide a prescribed number of low-income units to eligible renters for a set number of years. This Section 8 New Construction and Substantial Rehabilitation program served a population with slightly higher incomes than those in public housing until the mid-1980s.

As project-based Section 8 was phased out, a new program was developed to support construction of new housing with guaranteed access for those qualifying for housing assistance. The Low-Income Housing Tax Credit (LIHTC) was established in the Tax Reform Act of 1986 and is administered by the Treasury Department. Instead of a cash subsidy paid to developers, LIHTC provides tax credits to states each year on a per capita basis. Each state then grants the tax credits to developers who are either building or rehabilitating housing that will be available to low-income renters according to federal formulas. In order to receive the tax credit for the maximum ten years, developers must meet the program requirements for at least 30 years.

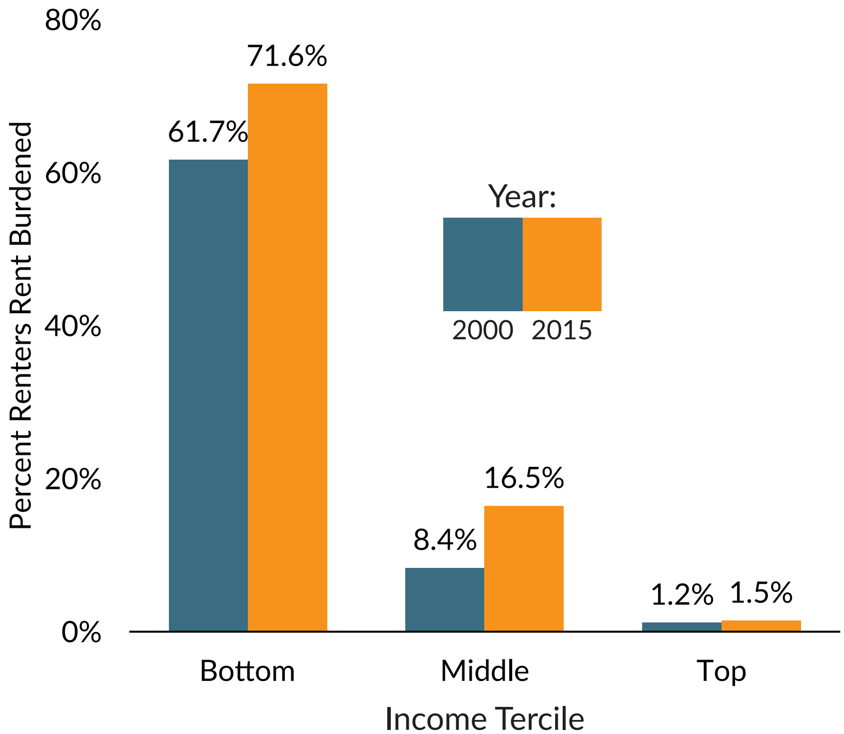
There are significant gaps in available data on how families in LIHTC housing fare, and what is available shows mixed results. Some LIHTC incentives encourage development in poorer areas (QCT) and others in potentially better-off areas (DDA). LIHTC renters' neighborhoods appear to have virtually the same poverty levels and slightly higher minority populations and crime levels than average neighborhoods where poor people live.

Research suggests that the effect of LIHTC developments on surrounding neighborhoods varies with context. For example, when LIHTC housing is built in a low-income neighborhood, it tends to increase housing values, lower crime, and attract nonminority home buyers. When a LIHTC project is located in a higher-income, predominantly White neighborhood however, it has a small negative effect on housing values, brings in more lower-income homeowners, but does not have detectable effects on the crime rate or the racial make-up.

## Housing vouchers

Housing vouchers are the only active form of federal housing assistance tied to the recipient instead of the location. According to 2017 HUD data, this program serves over 5 million individuals compared to slightly more than 2 million people each who utilize either public housing or project-based Section 8 housing. While the populations across the three types of housing are quite similar in terms of average household income and percentage of local area median income, other significant demographic differences exist. For example, 44% of households receiving housing vouchers include children, compared to 38% in

Figure 2. Renters in the bottom third of income levels are much more likely than higher income renters to be rent burdened, and the rate of rent burden has grown since 2000.




**Source**: Authors' calculations using data are from Integrated Public use microdata Series (IPUMS) American Community Survey (ACS) 2000, 2015 (Ruggles et al. 2019).

public housing and 28% in project-based Section 8. Forty percent of the family units using housing vouchers are a female head of household with children, versus 38 and 28% for the other types of housing assistance, respectively.

Several positive outcomes can be traced to using housing vouchers. Two HUD-supported, random-assignment studies (the Family Options Study and the Welfare to Work experiment) show that the receipt of a voucher relative to not having a housing subsidy reduces homelessness and the probability of being overcrowded or doubling up with another household.

Research also shows that housing vouchers are an important way to reduce the portion of a family's income spent on rent because the program is structured to limit rent expenses to 30%. In fact, when comparing voucher recipients to those who did not get a subsidy in greater Chicago, one study found that households with vouchers paid about 27% of their reported income on rent, compared to approximately 58% by the other group.[11] Again, research from the Welfare to Work (WtW) experiment found similar results.

Evidence of other effects of housing voucher use are more mixed. When the same Chicago population was analyzed, those with vouchers were slightly more likely to move overall, and the WtW study found that the group receiving vouchers was slightly less likely. Other conditions are negligibly affected by whether a household receives a housing voucher or not. Those include the poverty rate of the neighborhood to which they move, and the proficiency rates of students in the local school.

In terms of the impact on use of the Temporary Assistance for Needy Families program (TANF), both the earlier WtW data and the Chicago housing voucher study found an increase in TANF receipt. This held true through eight years, though newer research indicates that the effect went away after 14 years. That research also examined effects on children whose families receive housing vouchers. The results are mixed. Data on children in Chicago show that there were no detectable changes in school achievement, overall health, or whether children would be involved in the criminal justice system.[12]

By contrast, other research found a small overall improvement on math and English testing for students in New York City who lived in a household with a housing voucher.[13] But drilling down in the data shows that improvement was true for White, Hispanic, and Asian children, but not for Black children. Further, for families who go from living in a shelter to using a housing voucher, there is evidence that children may fare better in terms of executive functioning and better sleep and behavior.[14]

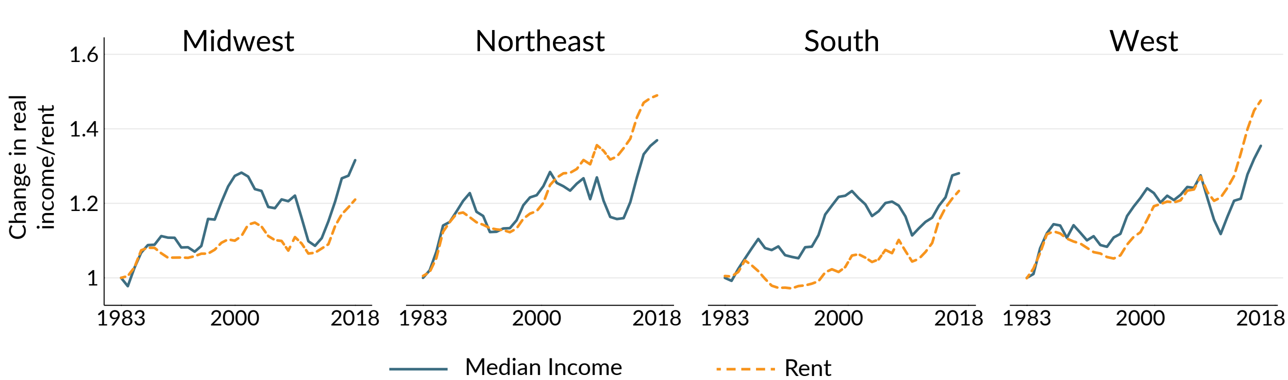
## Policy recommendations

Any reforms to housing assistance programs should be undertaken with the goal of maximizing the positive effects on households living in poverty while minimizing negative impacts. While federal housing programs reduce rent burdens and help many people remain stably housed, we identify several ways in which they fall short of their promise. We recommend a set of reforms that address three key challenges:

- market conditions and availability of housing stock that vary greatly in different areas of the country, and even in different parts of individual states;
- determining who should be prioritized for assistance, the amount of support and the length of time that it is available; and
- the likelihood that homes available to recipients of housing assistance are located in areas that are low-income and racially segregated.

Housing assistance should move away from a "one size fits most" model to account for differences in regional housing availability and costs, as well as different conditions that can occur in urban vs. suburban vs. rural markets. A revised formula could also incorporate local employment statistics and available rental unit scarcity or abundance. We also recommend moving away a system that provides the same type of subsidies regardless of market conditions.

**Figure 3. Growth costs have outpaced the growth in income in the Northeast and West.**




**Source**: Rent Series: Consumer Price Index, Residential Rent index and Less-Shelter Index. Bureau of Labor Statistics. https://www.bls.gov/cpi/data.htm Income Series: Authors' calculation: Data are from Integrated Public use microdata Series (IPUMS) Current Population Survey (CPS) 1980–2017 (Flood et al. 2018).

Instead, we call for federal programs to prioritize tenant-based assistance and renovation subsidies in markets with high vacancy rates while targeting subsidies for new construction to areas with low vacancy rates.

To help more families with children reach high-opportunity neighborhoods, we recommend that Congress add source of income (such as paying rent with a housing voucher) as a protected class under the Fair Housing Act, mandate broader adoption of neighborhood-based rent subsidies (which offer larger subsidies in higher rent neighborhoods), and provide additional support to local housing authorities to recruit voucher landlords. Counseling and other supports for voucher holders with children could also help them successfully use their vouchers in a broader set of neighborhoods.

Trying to find ways to stretch housing dollars further and addressing the issue of access in the absence of expanding available funding is essential. Housing is expensive, and at current funding levels, existing programs can only serve one in four eligible households. Given present funding constraints, we call for greater attention to targeting subsidies to the neediest households and encourage more experimentation with shallower or shorter-term subsidies to reach more households, more quickly.

Finally, if the political environment allows for the expansion of the housing choice voucher program that the Biden campaign proposed, we recommend moving to a subsidy in which renters can pocket the difference between the maximum subsidy and some share of their income, to limit inflationary impacts.■

*Robert Collinson is the Wilson Family LEO Assistant Professor in the Department of Economics at University of Notre Dame.*

*Ingrid Gould Ellen is the Paulette Goddard Professor of Urban Policy and Planning at New York University and a faculty director at the NYU Furman Center.*

*Jens Ludwig is the Edwin A. and Betty L. Bergman Distinguished Service Professor at the University of Chicago, research associate of the National Bureau of Economic Research, director of the University of Chicago Crime Lab, and codirector of the Urban Education Lab.*

---

[1]Collinson, R., Ellen, I. G., & Ludwig, J. (2019). Reforming Housing Assistance. *The ANNALS of The American Academy of Political and Social Science*, 686(1), 250–285. https://journals.sagepub.com/doi/full/10.1177/0002716219877801

[2]Finkel, M. l, & Buron. L. (2001). Study on Section 8 voucher success rates, vol. I: *Quantitative study of success rates in metropolitan areas*. Washington, DC: U.S. Department of Housing and Urban Development.

[3]Bonastia, C. (2006). *Knocking on the door: The federal government's attempt to desegregate the suburbs*. Princeton University Press. 74.

[4]Finkel, M., Lam, K., B., de la Cruz, R. J, DeMarco, D., Vandawalker, M. & Woodford, M. (2010). *Capital needs in the Public Housing Program*. U.S. Department of Housing and Urban Development, Abt Associates. https://www.hud.gov/sites/documents/PH_CAPITAL_NEEDS.PDF

[5]Horn, K.M., Ellen, I.G., & Schwartz, A.E. (2014). Do Housing Choice Voucher holders live near good schools? *Journal of Housing Economics* 23:28–40.

[6]A Picture of Subsidized Housing (2017). LIHTC: HUD Data on LIHTC Tenants 2013/14. https://www.huduser.gov/portal/datasets/assthsg.html

[7]Currie, Janet M., & Yelowitz, A. (2000). Are public housing projects good for kids? *Journal of Public Economics* 75(1): 99–124.

[8]Andersson, F., Haltiwanger, J.C., Kutzbach, M.J., Palloni, G., Pallakowski, H.O., & Weinber, D.H. (2018). Childhood housing and adult earnings: A between-siblings analysis of housing vouchers and public housing. NBER Working Paper 22721, National Bureau of Economic Research. https://www.nber.org/papers/w22721

[9]Shroder, M.D. (2002). Does housing assistance perversely affect self-sufficiency? A review essay. *Journal of Housing Economics* 11(4): 381–417.

[10]Susin, S. (2005). Longitudinal outcomes of subsidized housing recipients in matched survey and administrative data. *Cityscape* 8(2): 189–218.

[11]Jacob, B.A., & Ludwig, J. (2012). The effects of housing assistance on labor supply: Evidence from a voucher lottery. *American Economic Review* 102(1): 272–304.

[12]Jacob, B.A., Kapustin, M., & Ludwig, J. (2015). The impact of housing assistance on child outcomes: Evidence from a randomized housing lottery. *Quarterly Journal of Economics* 130(1): 465–506.

[13]Schwartz, A. E., Horn, K.M., Ellen, I.G., & Cordes, S.A. (2019). Do housing vouchers improve academic performance? Evidence from New York City. *Journal of Policy Analysis and Management* 39(1): 131–158

[14]Gubits, D., Shinn, M., Wood, M., Bell, S., Dastrup, S., Solari, C.D., Brown, S.R., McInnis, D., McCall, T., & Kattel, U. (2016). *Family options study: 3-year impacts of housing and services interventions for homeless families*. Washington, DC: HUD. https://www.huduser.gov/portal/sites/default/files/pdf/Family-Options-Study-Full-Report.pdf

IRP
focus
on poverty

June 2021 | Vol. 37 No. 1

# Options to improve the Supplemental Nutrition Assistance Program (SNAP)

Diane Whitmore Schanzenbach

## TAKEAWAYS

**SNAP is an effective and efficient program that increases food spending and stabilizes the economy without creating large work disincentives.**

**Small changes to the program could further reduce food insecurity among families with children, particularly during the summer months.**

**Increases in the generosity of benefits and policies that improve program access—such as those put in place as part of COVID-19 pandemic relief—strengthen SNAP's ability to stabilize the economy.**

**Major changes in the program structure that make it less responsive to shifts in need are not advisable.**

Institute for Research on Poverty
UNIVERSITY OF WISCONSIN–MADISON
irp.wisc.edu

**The Supplemental Nutrition Assistance Program (SNAP,** previously called the Food Stamp Program) is a key component of the U.S. social safety net. SNAP is the only social safety net program universally available to low-income Americans, and is intended to help families meet their basic nutritional needs. It can also help to stabilize the economy during a fiscal downturn such as that brought about by the COVID-19 pandemic. As unemployment rises and family incomes fall, SNAP can quickly and efficiently get resources to those in need, free up other resources to be used for additional necessities, and put money back into local economies. As illustrated in Figure 1, SNAP participation tends to rise and fall with the unemployment rate. Food insecurity—the inability to provide enough food for every person in the household to live an active, healthy life—affected more than 1 in 10 households in the year prior to the pandemic.[1] Food insecurity rose sharply as the unemployment rate spiked at the beginning of the pandemic. Estimates are that 17 million Americans may have become food insecure as a result of the pandemic, bringing the total to more than 54 million.[2]

In this article, I describe the current design of SNAP—including emergency pandemic provisions—and explore potential policy reforms, with a particular focus on reforms that could help families recover from the economic effects of the COVID-19 pandemic.[3]

## Current structure of SNAP

In order to be eligible to receive SNAP, households must meet three income and asset requirements (see text box). The SNAP benefit formula assumes that 30% of a family's net income is available to spend on food. The SNAP benefit amount is calculated as the difference between the cost of groceries intended to provide adequate nutrition at a minimal cost—the U.S. Department of Agriculture's (USDA's) Thrifty Food Plan—and 30% of a family's monthly gross income. Figure 2 illustrates

### SNAP rules

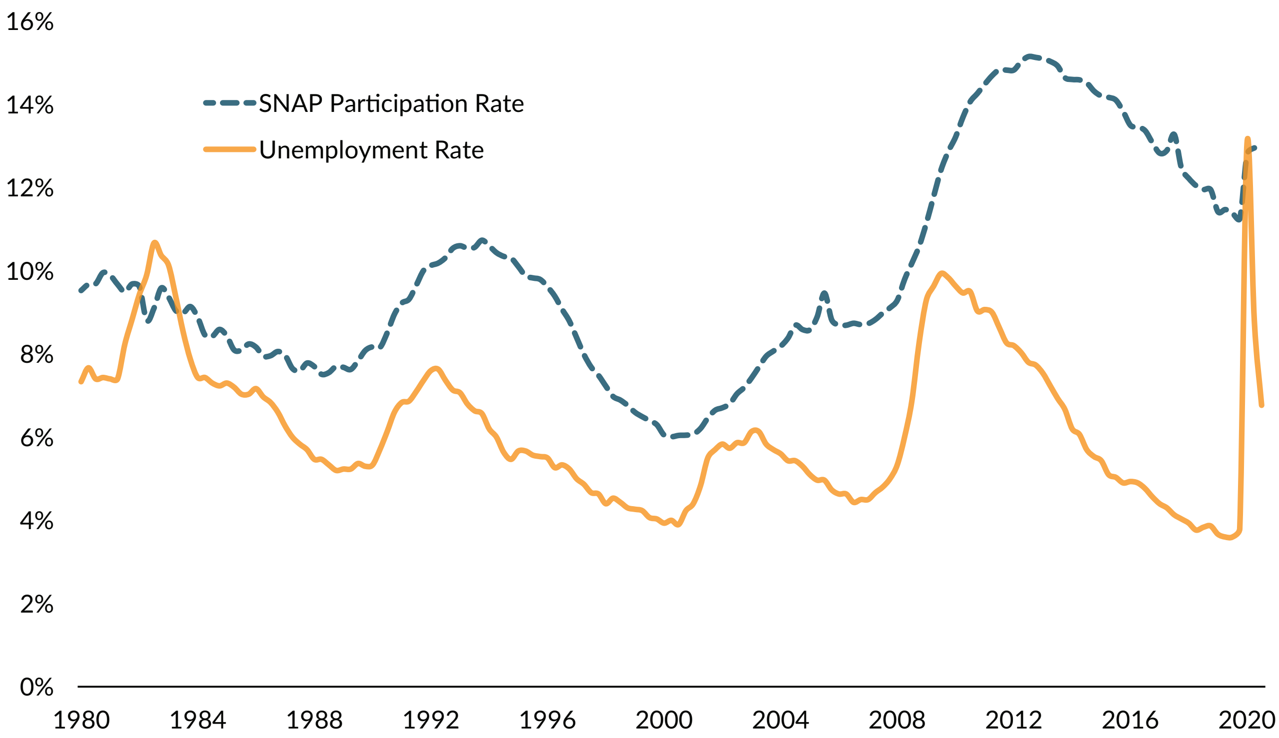
Federal income and asset requirements:

- Gross monthly income—must be at or below 130% of the poverty line, unless the household includes an elderly or disabled person;
- Net income—after subtracting deductions such as a standard deduction available to all households, some earned income, childcare expenses, child support obligations, housing costs that are greater than half of family income, and medical expenses for elderly or disabled household members—must be at or below 100% of the poverty line; and
- Assets—which generally include bank accounts, but exclude retirement accounts, family homes, and most automobiles—must be less than $2,250, or less than $3,500 for households that include an elderly or disabled person.

During normal economic times, unemployed nondisabled adults without children are limited to three months of SNAP benefits every three years.

States may opt to raise the gross income and asset limits, and may extend the time limit in areas with high and sustained unemployment.

**Figure 1. SNAP participation tends to rise and fall with the unemployment rate, spiking up during and after economic downturns.**




**Sources**: SNAP participation: U.S. Department of Agriculture, Food and Nutrition Service. SNAP Data Tables. https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap Unemployment rate: U.S. Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Seasonally Adjusted Unemployment Rate. https://data.bls.gov/timeseries/LNS14000000 Population: U.S. Census Bureau, National Population Totals and Components of Change. https://www.census.gov/data/tables/time-series/demo/popest/2010s-national-total.html

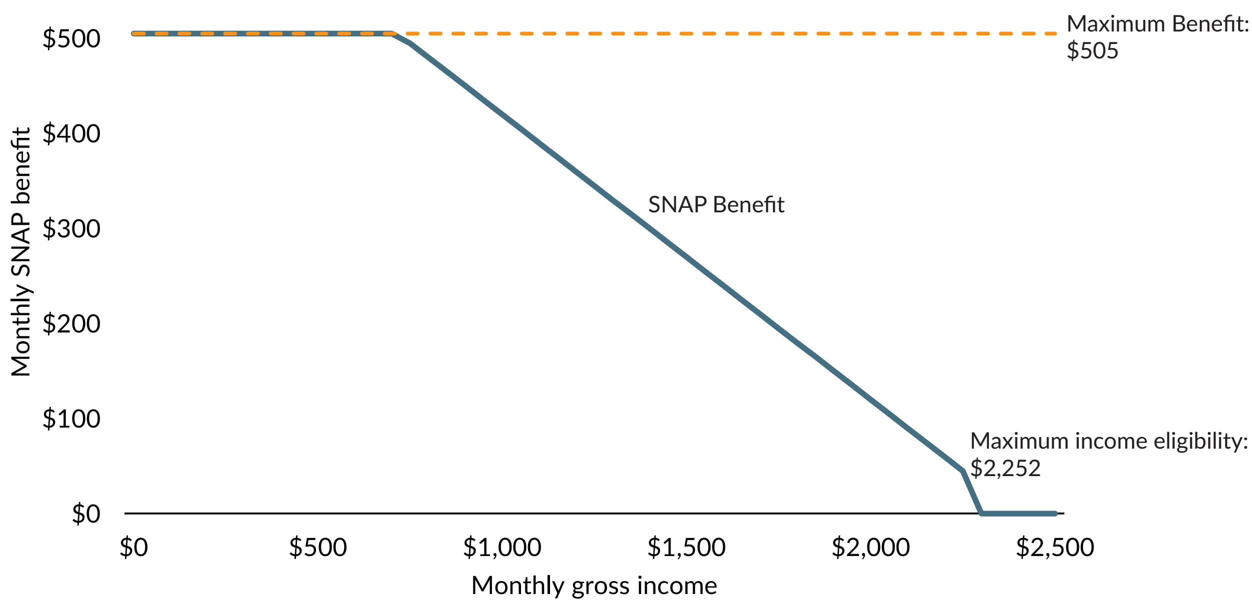
**Notes**: Figures are calculated monthly and averaged to the calendar quarter. SNAP data for February 2019 is smoothed due to a data error due to a federal government shutdown.

the relationship between income and SNAP benefit amount for a family of three. As family income rises, the share of total food spending accounted for by SNAP declines. Thus, policies that use SNAP to change household spending patterns will likely have a greater effect among those for whom SNAP represents a larger proportion of their budget, compared to those for whom it represents a smaller share.

SNAP serves a number of different populations, including the elderly, people who are disabled, children, employed adults, and unemployed adults. The average monthly SNAP benefit in 2019 was $234. Figure 3 shows characteristics of the SNAP caseload. Overall, children are present in about two out of every five households, half include an elderly or disabled member, and one out of five include no children, elderly individuals, or person who is disabled. Just over one-quarter of SNAP households have some earnings, while about 1 in 5 have no cash income at all (not shown in figure). The poorest group of SNAP participants, those with incomes at or below 50% of the poverty line, account for just over 40% of all SNAP households.

The SNAP participation rate is relatively high; in 2016, about 85% of those eligible for benefits received them.[4] Rates are even higher for households with income below the poverty threshold, and for families with children. However, households with elderly members have a lower participation rate; recent work indicates that this can be improved by providing eligibility information and application assistance.[5]

Figure 2. The size of a family's SNAP benefit is based on income and certain expenses.




**Source**: U.S. Department of Agriculture, Food and Nutrition Service. Cost of Living Adjustment (COLA) Information, https://www.fns.usda.gov/snap/allotment/COLA.

**Note**: Figure shows the monthly SNAP benefit amount for a family of three. Benefit amount is calculated by deducting the maximum shelter deduction and a standard deduction from gross income.

### State variation

While all states use the same benefit formula, there is some variation across states regarding which households are eligible and how they access benefits, as noted in the text box. Most states have implemented Broad-Based Categorical Eligibility, a policy that allows households to receive SNAP benefits if they meet less stringent state-specific eligibility criteria. This policy can raise the qualifying gross income threshold and also raise or eliminate asset tests, although net income after deductions must still be below the poverty line. Among the 43 states that had a Broad-Based Categorical Eligibility policy in place at the end of 2016, 25 had a gross income threshold at or above 185% of the poverty line, and 37 states had waived the asset test.[6]

States also have a number of ways in which they can increase the ease of applying for and maintaining SNAP enrollment, which may affect participation rates. Indeed, states vary greatly in the proportion of eligible households receiving SNAP benefits, ranging from a low of 56% in Wyoming to virtually 100% in Illinois, Michigan, New Mexico, Oregon, Rhode Island, Vermont, and Washington.

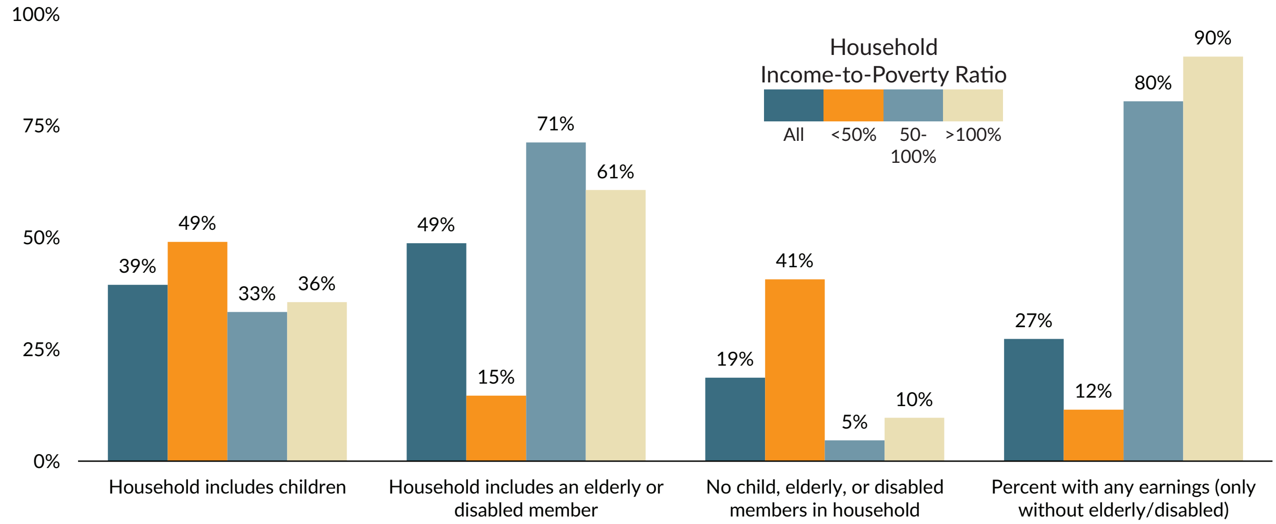
### SNAP during the COVID-19 pandemic

Congress provided states with the flexibility to increase the generosity of, and access to, SNAP benefits during the COVID-19 pandemic. This flexibility included the ability to issue emergency allotments, or supplemental benefits, to SNAP households that normally receive less than the maximum benefit. The USDA Food and Nutrition Service, which oversees the SNAP program, also worked to expand SNAP online purchasing in order to support social distancing.

## Potential reforms to SNAP

Research evidence shows that SNAP is an effective and efficient program that increases food spending and stabilizes the economy without creating large work disincentives.[7] It is well-designed, expanding rapidly as need increases,

**Figure 3. Children are present in nearly 40% of SNAP households, about half include an elderly or disabled member, and less than 20% include no children, elderly individuals, or people who are disabled.**




**Source**: IRP tabulations of FFY2019 Supplemental Nutrition Assistance Program Quality Control Data.

**Notes**: Earnings calculated only for households without elderly or disabled residents.

and allowing participants to shop at normal retail outlets and choose the foods they want to purchase. Major reforms to the program—such as changing the funding model to a block grant and giving states more flexibility in administration, or specifying which foods can be purchased with program benefits—would likely make it less efficient, less effective, and less responsive to changes in need. However, there are some more modest reforms that could potentially improve the program.(3) Two types of reforms are particularly relevant in light of the COVID-19 pandemic: (1) those that increase food security, and (2) those that strengthen the ability of the program to stabilize the economy during economic downturns.

## Reforms aimed at reducing food insecurity

The USDA defines food insecurity as "a household-level economic and social condition of limited or uncertain access to adequate food."[8] While SNAP clearly increases families' food resources, even prior to the COVID-19 pandemic, many households experienced food insecurity. In 2019, 11% of all households, and 14% of households with children, were food insecure at least some time during the year.(1) There are several types of policies that can help reduce food insecurity, either by providing more resources, or by helping families to have more consistent access to food over time to avoid shortfalls while waiting for the next paycheck or benefit payment.

One way to provide families with more resources to spend on food, and thus reduce food insecurity, is to increase the maximum SNAP benefit. One analysis found that a $30 increase in monthly benefits is associated with a decline in food insecurity of approximately one percentage point.[9] Economist James Ziliak argues that the Thrifty Food Plan—the basis for current benefit amounts—assumes that low-income households have an unlimited amount of time to spend on meal preparation, and has thus shifted towards foods that are the lowest cost but the most time-consuming to prepare.[10] This makes the Thrifty Food Plan increasingly out of line with actual consumption patterns that often prioritize foods that can be prepared quickly. To address this, Ziliak proposes modernizing the Thrifty Food Plan in three stages: increasing the maximum benefit by 20%; adjusting the composition of the food plan to better accommodate the needs of individual families; and conducting research to build a strong evidence base for longer-term changes. Some change to the Thrifty Food Plan is impending; in the 2018 Farm Bill, Congress called for an update to the plan, and the Biden administration has recently begun that process, directing the USDA to revise the Thrifty Food Plan to accurately reflect the cost of a standard healthy diet today.

Other researchers have suggested replacing the Thrifty Food Plan with the USDA's Low-Cost Food Plan, which has a price tag about 30% higher than the Thrifty Plan.[11] Changing benefit levels for all SNAP participants would be expensive; for example, the 20% increase to the Thrifty Food Plan suggested above would raise average monthly benefits for a family of three from $401 to $497, increasing total SNAP spending by 24%. On the positive side, such a change would be expected to not only reduce food insecurity, but also to increase dietary quality for SNAP participants and have beneficial effects on the macroeconomy through increased food spending.

An alternative to across-the-board payment increases is to provide increased benefits for particular groups of people experiencing temporary increases in food costs. For example, families of children who receive free or reduced-price school lunches generally do not have access to these programs during the summer months. The USDA does offer a Summer Food Service Program, but access is quite limited compared to access for the school lunch program (see text box).

One option would be to temporarily increase benefit amounts for families with children during the summer. Such an approach has been shown to be successful. For example, the feasibility and effects of providing additional benefits to families with children during the summer months have been tested in a series of random-assignment evaluations.[12] The researchers found that when families were provided with $60 per month in electronic benefits in addition to their regular SNAP benefits, food insecurity among children decreased by 20%, and very low food security among children decreased by a third (see text box for food security definitions). A comparison of the $60 monthly additional payment to a $30 payment based on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—which can be spent on a particular list of items—found that the $60 payment reduced food insecurity by an additional 10% compared to the $30 payment, but that the reduction in very low food security was the same with both benefit levels.[(12)] This suggests that an additional $30 per month was enough to ameliorate very low food security. Increasing summer food support benefits to children through a broadly-available program—SNAP or WIC—would reach more children than are currently served by the summer meals program. During COVID, Congress established the Pandemic Electronic Benefit Transfer—an entirely new program that essentially provided SNAP benefits to families that lost access to free and reduced-price school meals due to school closures. This program reduced the rate of children's food hardship substantially, lifting 3 million children out of hunger.[13]

## Nutrition programs for school children

In 2019, over 29 million children received free or reduced-price lunch. In 2020, during the pandemic, this number dropped by about 7 million.

The summer meal program is considerably smaller than the lunch program, reaching an average of 2.7 million children in July 2019. The summer food program did reach many more children during the COVID-19 pandemic—4.7 million on average in July 2020—and was extended through the end of the 2020–2021 school year. Even with this expansion, however, it still serves many fewer children than the school lunch program.

Pandemic Electronic Benefit Transfer is a new program developed in response to the COVID-19 pandemic. This program was developed to provide emergency benefits to school children who would have received free or reduced priced meals had their schools not closed or reduced hours due to the pandemic.

## Food insecurity measurement

The USDA defines two levels of food insecurity:

Low food security means that household members experience reduced quality, variety, or desirability of diet. There is little or no indication of reduced food intake.

Very low food security means that the food intake of household members is reduced and their normal eating patterns are disrupted because the household lacks money and other resources for food.

Alternatively, a temporary benefit increase could be targeted to families with teenagers. Children's nutritional needs increase during their teen years, as reflected in federal dietary guidelines.[14] Families with teenagers also experience food insecurity at higher rates than do those with only younger children.[15] Increasing SNAP benefits to these families could be expected to offset the increased cost of feeding adolescents, and thus reduce food insecurity among this group.

Because SNAP payments are paid out monthly, there is a documented pattern of reduced dietary quantity or quality and increased food insecurity near the end of each payment period, as participants await their next payment.[16] This pattern is also associated with adverse effects on other outcomes such as children's test scores and emergency room visits among diabetics.[17] While changing the SNAP payment schedule from once to twice monthly could encourage more consistent spending across the month, it is unclear what the actual effects of such a change would be on participants as a whole and on particular groups. One recent study found that SNAP participants get more for each dollar spent on purchases made soon after receiving benefits by, for example, choosing items that are on sale, purchasing larger sizes, and getting volume discounts.[18] Another study found that over a two-week pay period, food spending was higher on the day of payment, and declined sharply at the end of the period.[19] It may be worthwhile to conduct a pilot program to explore whether more frequent payments have beneficial effects, how different payment intervals compare, and whether outcomes vary for different groups of participants.

## Reforms aimed at strengthening SNAP's ability to stimulate the economy

Since SNAP benefits tend to be spent quickly by recipients, the program acts effectively to stimulate the economy. During normal economic periods, moderate benefit increases that are still spent rapidly would provide additional economic stimulus, in addition to reducing food insecurity as described above. During an economic downturn, such as the one precipitated by the COVID-19 pandemic, SNAP plays a particularly important stimulus role as caseloads and spending can expand rapidly to reflect increased need. While other programs such as Unemployment Insurance also play this role, SNAP is broadly available to low-income households, including those who experience job loss but do not meet the minimum thresholds of hours worked and wages to receive unemployment compensation.[20] Any reforms that harm SNAP's ability to expand rapidly during a recession—such as the imposition of broad work requirements—would decrease the ability of the program to strengthen the economy.

### Research to Watch

According to the Center for the Study of Immigrant Integration, there are 5.9 million children nationwide who have at least one unauthorized family member. But fear of deportation and the impact of changes to federal "public charge" policy can make members of mixed-status households reluctant to enter human service systems in order to access benefits such as those for the Supplemental Nutrition Assistance Program (SNAP).

Juan M. Pedroza, Assistant Professor of Sociology, UC Santa Cruz; Eric Giannella, Data Science Director, Code for America; and Maximilian Hell, Senior Data Scientist, Code for America are working to determine what interventions can alter the dynamic of people eligible for benefits being afraid to apply for them. They are specifically looking at whether community-based organizations (CBOs) can counterbalance immigration-related chilling effects on SNAP applications.

Examining three different levels of support for mixed-status households across California, this project estimates the likelihood that SNAP applicants report living in mixed-status households. Researchers first assess the extent to which applicants receive CBO assistance in applying for SNAP benefits. Second, they study county-level differences in funding for CBOs with an established history of providing social services to poor and immigrant populations, and variations in the intensity of immigration enforcement during the study time period. Finally, researchers evaluate whether changes to federal policy—as occurred with the announcements in August 2019 of changes to federal public charge policies, and their eventual implementation in early 2020—may also predict when SNAP applicants reported living in a mixed-status household.

SNAP's role as an economic stabilizer can be even larger by increasing benefits during a recession. This was demonstrated when maximum benefits were increased in the aftermath of the Great Recession of 2007 to 2009. Research conducted during that period found that every dollar of increased SNAP benefits was associated with $1.74 in economic activity during the first quarter of 2009, and $1.22 in the first quarter of 2015—the highest return on investment of any of the economic policies adopted in response to the Great Recession.

SNAP is being used in a similar way in response to the COVID-19 recession; among other provisions, the Families First Coronavirus Response included a temporary boost of emergency supplementary benefits and temporarily suspended the three-month time limit on benefits for unemployed adults under age 50 without children, and provided additional state flexibilities to ease application for and extension of benefits. In December 2020, overall SNAP benefits were temporarily increased by 15%, providing an additional boost. Making temporary SNAP boosts automatic would reduce policy uncertainty and speed relief payments at the onset of economic downturns.[21]

### Other reforms

While reforms that further reduce food insecurity and increase the economic stimulus effects of SNAP are most relevant in the context of COVID-19, there are other reforms worth consideration that are aimed at improving dietary quality, encouraging work, targeting benefits, or controlling costs.[22]

Reforms seeking to improve dietary quality appear to offer the greatest promise. Policies intended to reduce food insecurity, such as increasing benefit levels, can also be expected to improve dietary quality. The evaluation described above examining the effects of a supplemental payments to SNAP families with children during the summer months found that these additional benefits improved dietary quality for children, increased consumption of fruits and vegetables, dairy, and whole grains, and reduced consumption of added sugars.[(12)]

Dietary quality might also be improved by decreasing the relative prices of healthful foods. This could be achieved through subsidies or other incentives, and would be predicted to result in families consuming more of the lower-priced healthful foods. This approach has been studied in a random-assignment evaluation in Massachusetts. The program—the Healthy Incentives Pilot—provided SNAP recipients with an immediate 30 cents back on every dollar they spent on a specific group of fruits and vegetables. Consumption of the targeted healthful foods was 25% higher for those in the group receiving the incentives compared to those in a control group who received no incentive.[23] Many local areas and some states have recently adopted a similar approach by providing bonus dollars when SNAP benefits are used at farmers' markets, allowing participants to purchase more fresh produce. Any policy that encourages purchase of particular foods will require thoughtful consideration of which foods should be subsidized and what level of subsidy is optimal. Still, this approach has been shown to have merit, respects consumers' food preferences, and is feasible to implement as part of SNAP.

> During an economic downturn, such as the one precipitated by the COVID-19 pandemic, SNAP plays a particularly important stimulus role as caseloads and spending can expand rapidly to reflect increased need.

## SNAP and COVID-19

In its current configuration, SNAP is an effective and efficient program, reducing food insecurity and providing economic stimulus during periods of economic downturn such as that associated with COVID-19. It is a means-tested income transfer program that makes use of the highly efficient private market for purchasing and selling food. It provides additional resources to be spent on food, while providing consumers with the freedom to make their own choices according to their budgets, tastes, and preferences. SNAP serves a wide range of participants across the United States, from infants to the elderly, and both workers and the unemployed.

Some modest changes to the program could reduce food insecurity among families with children, particularly during the summer months. Increases in the generosity of benefits and policies that improve program access—such as those put in place as part of COVID-19 pandemic relief—could strengthen SNAP's ability to stabilize the economy. Pegging automatic, temporary increases in SNAP to labor market conditions would enhance its effectiveness during economic downturns. Reforms that aim to improve dietary quality, such as those that subsidize healthful foods, also show promise.

Any reforms must be carefully considered to insure that they do not inadvertently make SNAP less effective and efficient. SNAP has worked well for the past five decades, reducing food insecurity and helping Americans weather a number of recessions, including that brought on by the COVID-19 pandemic. With its current structure, and perhaps some modest reforms, it should be well-suited to meet the challenges of the coming years.■

*Diane Whitmore Schanzenbach is Director of the Institute for Policy Research and the Margaret Walker Alexander Professor in the School of Education and Social Policy at Northwestern University.*

---

[1]Coleman-Jensen, A., Rabbitt, M.P., Gregory, C.A., & Singh, A. (2020). *Household Food Security in the United States in 2019* (Economic Research Report No. ERR-275). U.S. Department of Agriculture. https://www.ers.usda.gov/publications/pub-details/?pubid=99281

[2]Gundersen, C., Hake, M., Dewey, A., & Engelhard, E. (2020). Food Insecurity during COVID-19. *Applied Economics Perspectives and Policy*, 43(1), 153–161. https://onlinelibrary.wiley.com/doi/10.1002/aepp.13100

[3]This article is based on Schanzenbach, D.W. (2019). Exploring Options to Improve the Supplemental Nutrition Assistance Program (SNAP). *The ANNALS of the American Academy of Political and Social Science*. 686(1), 204–228.

[4]U.S. Department of Agriculture. (2019). *Reaching those in need: Estimates of State Supplemental Nutrition Assistance Program participation rates in 2016*. https://fns-prod.azureedge.net/sites/default/files/resource-files/Reaching2016.pdf

[5]Finkelstein, A., & Notowidigdo, M.J. (2018). *Take-up and targeting: Experimental Evidence from SNAP*. (NBER Working Paper 24652). National Bureau of Economics Research.

[6]Economic Research Service (ERS), USDA, SNAP Policy Databased, SNAP Policy Data Sets, available from https://www.ers.usda.gov/data-products/snap-policy-data-sets/

[7]Hoynes, H., & Schanzenbach, D.W. (2016). U.S. food and nutrition programs. In R.A. Moffitt (Ed.), *Economics of means-tested transfer programs in the United States*, 1, 219–301. University of Chicago Press.

[8]For more, see: *Definitions of Food Security*, Economic Research Service, U.S. Department of Agriculture *https://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/definitions-of-food-security/*

[9]Anderson, P.M., Butcher, K.F. (2016). *The relationships among SNAP benefits, grocery spending, diet quality, and the adequacy of low-income families' resources*. Center on Budget and Policy Priorities. https://www.cbpp.org/research/food-assistance/the-relationships-among-snap-benefits-grocery-spending-diet-quality-and

[10]Ziliak, J.P. (2016) *Modernizing SNAP Benefits*. The Hamilton Project. *https://www.hamiltonproject.org/assets/files/ziliak_modernizing_snap_benefits.pdf*

[11]For more on the different USDA food plans, see: https://www.fns.usda.gov/cnpp/usda-food-plans-cost-food-reports-monthly-reports

[12]Collins, A.M., Briefel, R., Klerman, J.A., Wolf, A., Rowe, G., Logan, C., Enver, A., Fatima, S., Gordon, A., & Lyskawa, J. (2016). *Summer Electronic Benefit Transfer for Children (SEBTC) demonstration: Summary report*. Abt Associates. https://fns-prod.azureedge.net/sites/default/files/ops/sebtcfinalreport.pdf.

[13]Bauer, L., Pitts, A., Ruffini, K., & Schanzenbach, D.W. (2020) *The Effect of Pandemic EBT on Measures of Food Hardship*. The Brookings Institution. https://www.brookings.edu/wp-content/uploads/2020/07/P-EBT_LO_7.30.pdf

[14]For more on how guidelines differ for adolescents, see: https://www.dietaryguidelines.gov/sites/default/files/2020-12/Dietary_Guidelines_for_Americans_2020-2025.pdf

[15]The effects are similar whether the teenager is female or male. For more, see: Anderson, P.M., Butcher, K.F., Hoynes, H., & Schanzenbach, D.W. (2016). Beyond income: What else predicts very low food security among children? *Southern Economic Journal*, 82(4), 1078–1105.

[16]Whiteman, E.D., Chrisinger, B.W., & Hillier, A. (2018). Diet quality over the monthly Supplemental Nutrition Assistance Program cycle. *American Journal of Preventative Medicine*, 55(2), 205–212.

[17]Gassman-Pines, A., & Bellows, L. (2018). Food instability and academic achievement: A quasi-experiment using SNAP benefit timing. *American Educational Research Journal*, 55(5), 897–927. See also: Basu, S., Berkowitz, S.A., & Seligman, H. (2017). The monthly cycle of hypoglycemia: An observational claims-based study of emergency room visits, hospital admissions, and costs in a commercially-insured population. *Medical Care*, 55(7), 639–45.

[18]Zaki, M., & Todd, J.E. (2021). Does it pay to pay less frequently? *Journal of Human Resources*, forthcoming.

[19]Zaki, M. (2016). *Access to short-term credit and consumption smoothing within the paycycle* (FEEM Working Paper No. 007.2016). Fondazione Eni Enrico Mattei.

[20]Anderson, P.M., Butcher, K.F., & Schanzenbach, D.W. (2015). Changes in safety net use during the Great Recession. *American Economic Review*, 105(5), 161–65.

[21]Hoynes, H., & Schanzenbach, D.W. (2019). *Strengthening SNAP as an Automatic Stabilizer*. The Hamilton Project. https://www.hamiltonproject.org/papers/strengthening_snap_as_an_automatic_stabilizer

[22]For a full discussion of areas of possible reform, see: Schanzenbach (2019), Exploring Options to Improve the Supplemental Nutrition Assistance Program.

[23]Olsho, L.W.E., Klerman, J.A., Wilde, P.E., & Bartlett, S.H. (2016). Financial incentives increase fruit and vegetable intake among Supplemental Nutrition Assistance Program participants: A randomized controlled trial of the USDA Healthy Incentives Pilot. *American Journal of Clinical Nutrition*, 104(2), 423–35.

# focus on poverty

**Institute for Research on Poverty**
**University of Wisconsin–Madison**
**3412 William H. Sewell Social Science Building**
**1180 Observatory Drive**
**Madison, WI 53706**

*Focus on Poverty* is the flagship publication of the Institute for Research on Poverty.

1180 Observatory Drive
3412 Social Science Building
University of Wisconsin–Madison
Madison, Wisconsin 53706
(608) 262-6358



*Focus on Poverty* is free of charge and distills poverty research of interest for dissemination to a broader audience, with a specific focus on educators, policymakers, policy analysts, and state and federal officials.

Edited by Emma Caspar, Judith Siers-Poisson, James T. Spartz



This publication was supported by Cooperative Agreement number AE000103 from the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation to the Institute for Research on Poverty at the University of Wisconsin–Madison. The opinions and conclusions expressed herein are solely those of the author(s) and should not be construed as representing the opinions or policy of any agency of the Federal government.

Institute for Research on Poverty
UNIVERSITY OF WISCONSIN–MADISON