

MATERIAL HARDSHIP AND MENTAL HEALTH FOLLOWING THE COVID-19 RELIEF BILL AND AMERICAN RESCUE PLAN ACT

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Throughout the COVID-19 pandemic, the U.S. Census Bureau has regularly deployed the Household Pulse Survey, which offers a real-time look at how U.S. households are dealing with the economic and public health crisis. Since summer 2020, researchers at Poverty Solutions have used Pulse data to measure the extent to which U.S. households are experiencing material hardship, such as insufficient access to food or inability to pay household expenses.

Our analyses thus far have yielded a fairly simple story: throughout the crisis, the level of hardship faced by U.S. households can be directly linked to the federal government's response. Despite historically high unemployment, in July 2020 we found that rates of hardship were stable—and in some cases declining—following the roll-out of Coronavirus Aid, Relief, and Economic Security (CARES) Act income support programs such as Economic Impact Payments (EIPs) and expanded unemployment insurance. Hardship remained relatively stable into early fall 2020 before increasing markedly in November and December 2020 as the economic recovery stalled and Congress delayed action on further relief measures. The trends we see in these hardship data are consistent with trends in other metrics of well-being during the crisis.³

This brief examines Household Pulse data for the early months of 2021 to understand the relationship between hardship and relief measures implemented following the passage of the COVID-19 relief bill in late December 2020 and the American Rescue Plan Act (ARPA) passed in early March 2021. We find that the delivery of robust, primarily cash-based assistance to U.S. households was followed by major declines in material hardship. Between December 2020 and late April 2021, rates of food insufficiency in the Pulse survey fell by over 40%, rates of financial instability fell by 45%, and the share of respondents reporting frequent symptoms of depression fell by 20%. The sharpest declines in hardship immediately followed the passage of these two relief bills, coinciding with the delivery of EIPs, and the gains were greatest among the lowest income households. All rates of hardship fell to their lowest levels recorded by Pulse following the passage of ARPA. The economy improved some over the early months of 2021 and may have contributed to these trends, yet the unemployment rate remained above 6% in April. Rather, it would appear the circumstances of U.S. households improved following the delivery of robust income transfers deployed by the federal government.

KEY FINDINGS

- Material hardship in U.S. households fell sharply following the passage of the COVID-19 relief bill in late December 2020, and the American Rescue Plan Act (ARPA) in March 2021.
- From December 2020 to April 2021, food insufficiency fell by over 40%, financial instability fell by 45%, and reported adverse mental health symptoms fell by 20%.
- Declines in material hardship were greatest, in percentage point terms, among low-income households but also evident higher up the income distribution.
- Data from the past year suggest material hardship among U.S. households fell following implementation of robust federal income transfers, and rose in the absence of government action.
- We believe the success of the federal government's relief measures may be due to the speed, breadth, and flexibility of its broad-based approach, primarily relying on cash transfers.

MATERIAL HARDSHIP DURING THE COVID-19 PANDEMIC

APRIL 2020 TO DECEMBER 2020

Since late April 2020, the U.S. Census Bureau has fielded the Household Pulse survey to better understand how American households are dealing with the public health and economic impacts of the COVID-19 pandemic.⁴ Surveys include a battery of questions related to employment, income, savings, spending, financial stability, food security, and mental health. While traditional poverty measures use income thresholds as a proxy for hardship, the Pulse survey seeks to measure hardship directly, by asking individuals about their ability to pay for food, housing, and basic expenses.

In late July 2020, we collaborated on an analysis of Pulse data from May through July (phase 1 of the survey), in which we found that hardship, though high, was largely stable through the early months of the pandemic, despite double-digit unemployment.⁵ This was suggestive of the efficacy of CARES Act income support provisions in stabilizing U.S. households in the midst of a global pandemic and economic crisis. The CARES Act, passed in March of 2020, sent EIP checks to most American households and dramatically expanded unemployment insurance (UI),⁶ expanding coverage and providing a \$600 weekly federal supplement to all UI recipients. By the end of June 2020, more than 30 million workers—nearly 1 in 5 U.S. workers—were receiving unemployment assistance.⁷ Our initial analysis found that this robust government support held hardship at bay for millions of Americans.

Hardship rates remained stable through August, September, and October 2020, despite the fact that the federal government's \$600 weekly supplement for UI recipients expired at the end of July, and most EIP checks had likely already been spent.⁸ These stable hardship rates in the absence of continued aid were likely the result of an improving economy, plus savings from CARES Act income supports. Between July and October 2020, the economy added nearly 3 million payroll jobs, which pushed the unemployment rate down from 10.2% in July to 6.9% in October.⁹ In addition, it is possible that many households had a financial cushion remaining from weeks of expanded unemployment assistance, given that roughly three-quarters of regular UI recipients between April and July 2020 received more income each week than they would have through their previous employment.¹⁰

Finally, though implementation was inconsistent and delayed, President Donald Trump's executive action in early August 2020 to provide a \$300 weekly federal supplement to UI recipients for several weeks likely provided some additional support as well.¹¹

However, hardship increased sharply in November 2020 as COVID-19 infections began to rise, the economic recovery stalled, and Congress delayed further action. As we reported in a brief published in February 2021, among adults with children in the household, food insufficiency increased by nearly 25% from October to December 2020, and our measure of financial instability increased by 20%. The share of adults reporting adverse mental health symptoms also grew.¹²

DECEMBER 2020 TO MAY 2021

We now have enough data to understand how reported material hardship changed in the first four months of 2021, following passage of the COVID-19 relief bill in late December 2020 and the American Rescue Plan Act (ARPA) in March 2021. This new round of data show trends in the well-being of U.S. households following the delivery of robust cash-based income transfers. The COVID relief bill, though more modest than ARPA, provided EIP checks to most American adults, worth \$600 both for themselves and their dependent children. It also extended eligibility for unemployment insurance and added a \$300 weekly federal supplement for all UI recipients. ARPA sent another round of checks to American adults, worth \$1,400 for each adult and dependent, and extended UI eligibility and the \$300 weekly supplements for UI recipients through August 2021.¹³ The passage of ARPA also coincided with the distribution of a large share of refunds for the Earned Income Tax Credit (EITC) and existing Child Tax Credit (CTC), further bolstering the financial security of many low- and middle-income households.¹⁴

What we find is that reported hardship drops sharply—across multiple domains—immediately following both the COVID-19 relief bill passed in late December 2020 and ARPA passed in early March 2021. This is particularly true for adults with children, and adults living in households with annual incomes less than \$25,000, though we also see declines in hardship further up the income ladder too.¹⁵

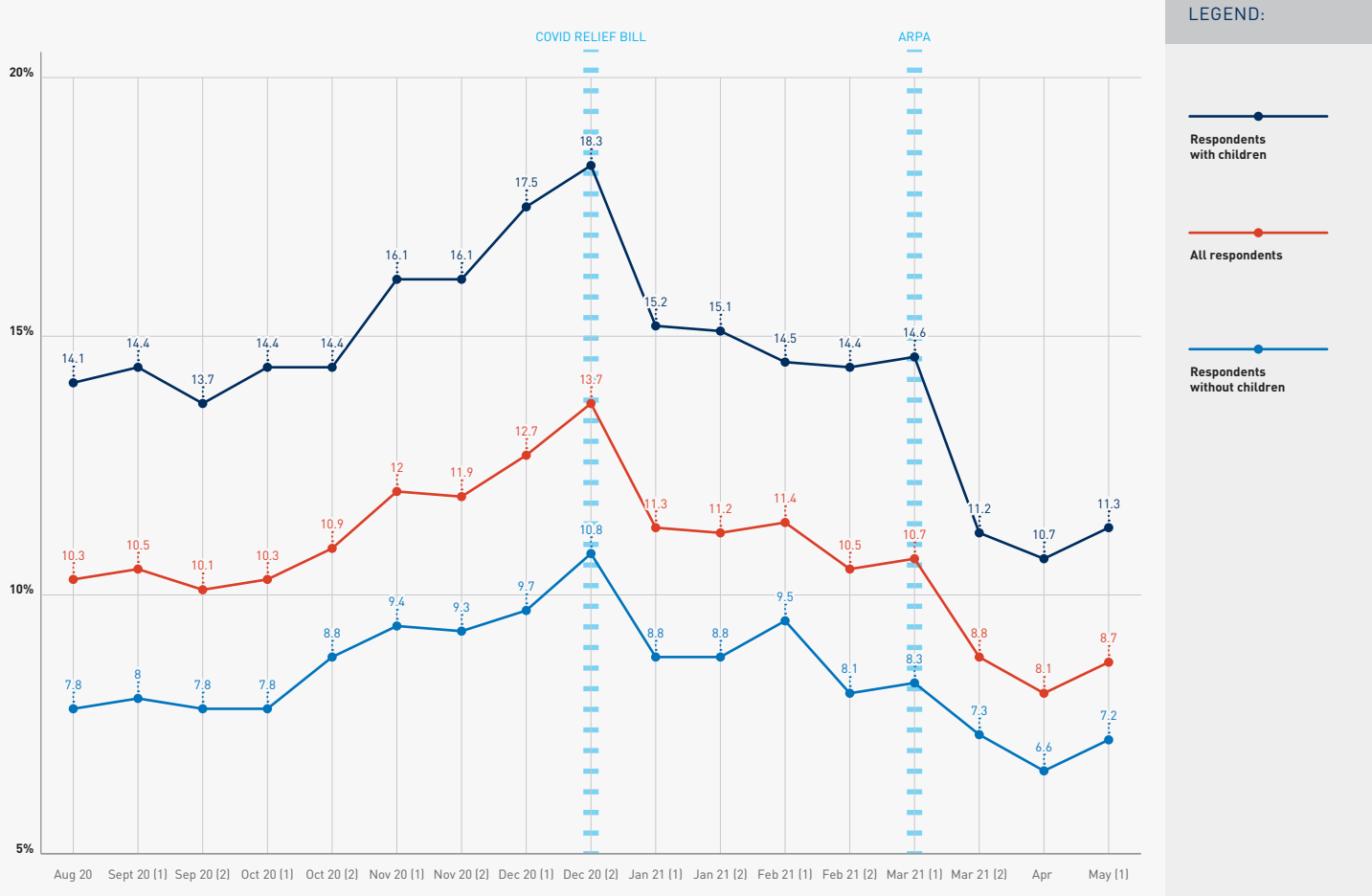
FOOD INSUFFICIENCY

Our measure of food insufficiency¹⁶ relies on a single question from the Pulse survey, which asks all respondents: *In the last 7 days, which of these statements best describes the food eaten in your household?* Respondents then choose between (a) *Enough of the kinds of food (I/we) wanted to eat*; (b) *Enough, but not always the kinds of food (I/we) wanted to eat*; (c) *Sometimes not enough to eat*; (d) *Often not enough to eat*. We count all those who responded there was sometimes or often not enough to eat in the prior seven days as having insufficient access to food.

In Figure 1, we show the share of adults reporting food insufficiency for each survey wave, dating back to August of 2020, when the second phase of the Pulse survey was launched.¹⁷ Beginning in August, collection periods took place over the course of two weeks, so that each month beginning in September 2020 had two rounds of data collection.¹⁸

As one can see from the chart, food insufficiency falls sharply in the survey periods following both the COVID-19 relief bill and ARPA. Based on the speed with which we see hardship fall, we suspect much of this drop was the result of EIP checks, which the federal government was able to quickly deliver to bank accounts for most U.S. households following passage of both bills. Food insufficiency continues to fall in subsequent survey periods, particularly for households with children, ticking back up slightly in the first survey period in May 2021. This might be expected if hardship was exceptionally low in March and April 2021 as a result of EIP checks and tax credit refunds. All told, between the second survey period in December 2020 and the April 2021 survey period, food insufficiency falls by roughly 41% for households with children, who have experienced the highest rates of food insufficiency throughout the pandemic.

FIGURE 1: SOMETIMES OR OFTEN NOT ENOUGH FOOD IN THE LAST SEVEN DAYS

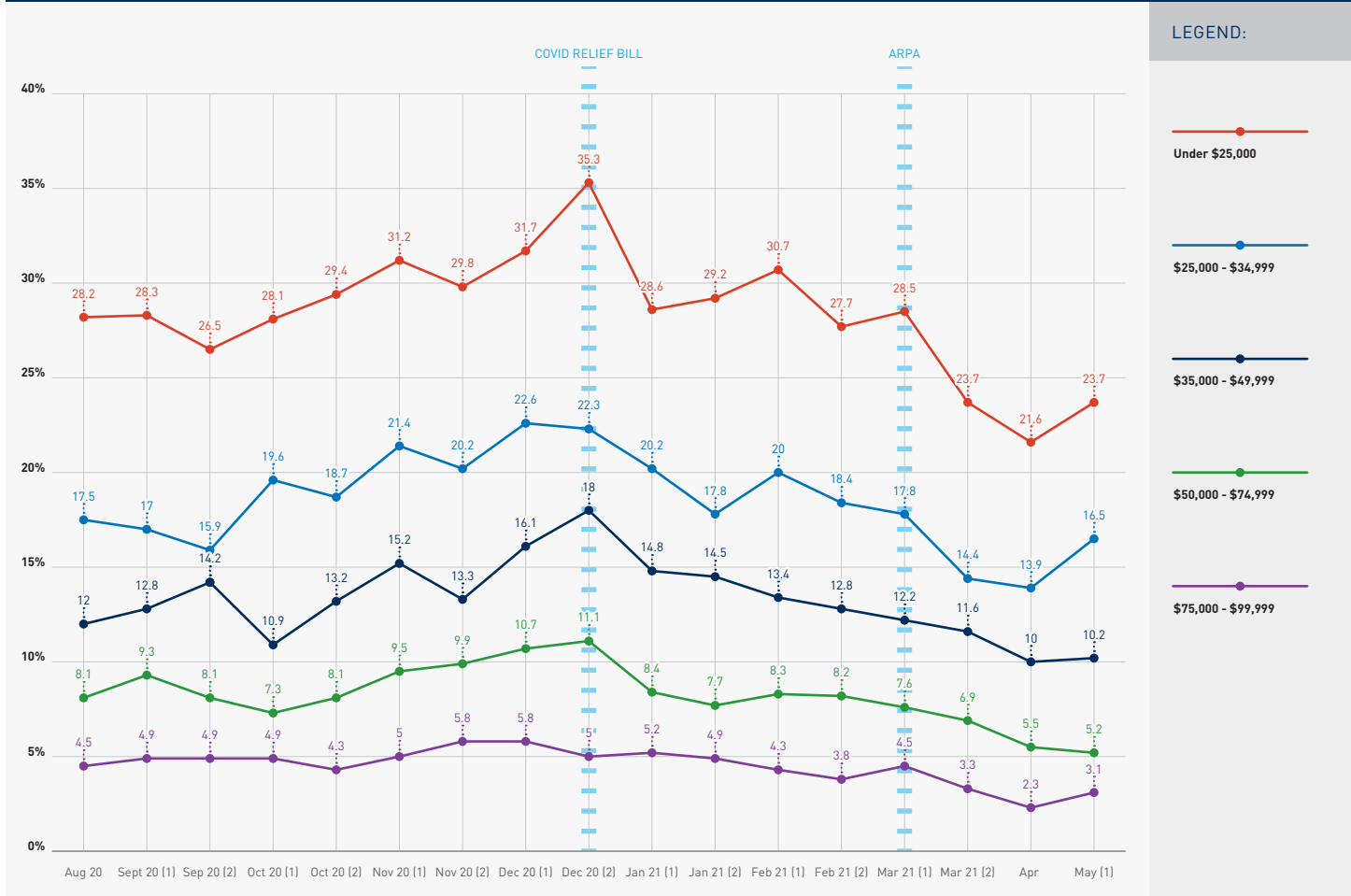


Note: Authors' analysis of U.S. Census Bureau Household Pulse data

In Figure 2, we look at food insufficiency rates by household income. Here we see that the overall drop in food insufficiency is largely driven by the steep decline in food insufficiency for the lowest-income adults, with annual household incomes below \$25,000. Between December 2020 and April 2021, the number of adults in this low-income category reporting food insufficiency fell by over 3 million. However, we also see meaningful reductions in food insufficiency higher up

the income ladder, with food insufficiency for adults with household incomes between \$50,000 and \$100,000 falling by half, indicating that the conditions of middle income households were improved by assistance. This is noteworthy because EIPs were unusual in their broad coverage of households at the very lowest incomes and well up the economic ladder.¹⁹

FIGURE 2: SOMETIMES OR OFTEN NOT ENOUGH FOOD IN THE LAST SEVEN DAYS (BY INCOME)



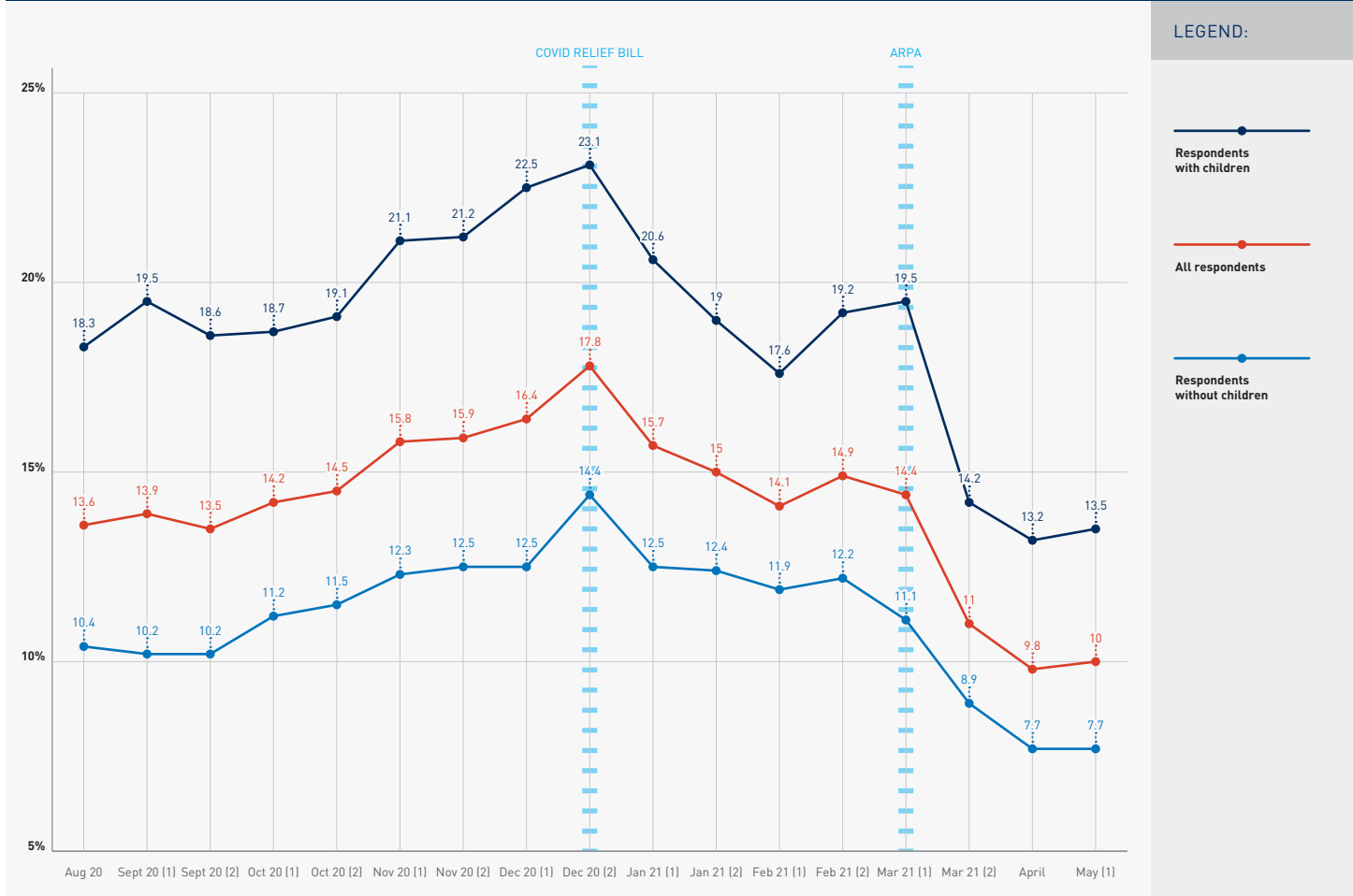
Note: Authors' analysis of U.S. Census Bureau Household Pulse data

FINANCIAL INSTABILITY

For our measure of financial stability, we use the question: *In the last 7 days, how difficult has it been for your household to pay for usual household expenses, including but not limited to food, rent or mortgage, car payments, medical expenses, student loans, and so on?* We chart the share of adults who say it has been very difficult to pay for usual household expenses. The observed pattern of financial instability (Figure 3) is similar to what we see with our measure of food insufficiency, with sharp and immediate declines in hardship following passage

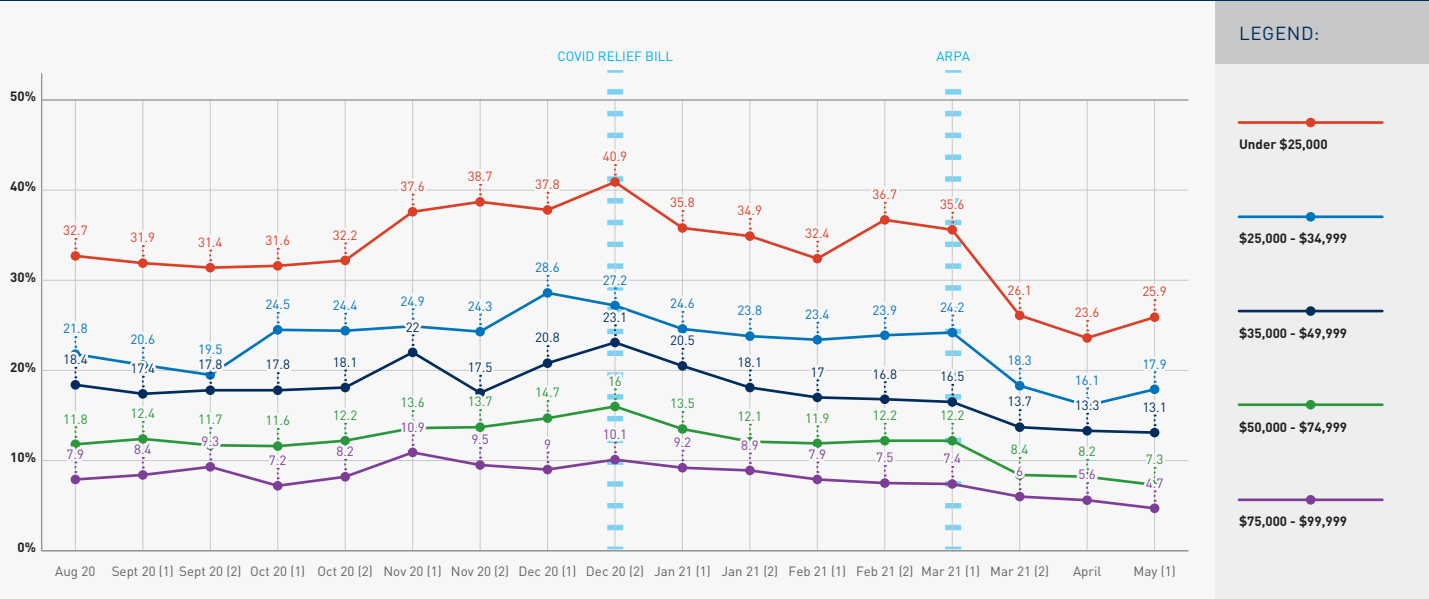
of the COVID-19 relief bill and ARPA. From December 2020 to April 2021, the share of adults with children reporting financial instability declines by 43%. Again, in Figure 4 we look at this hardship metric by income and see that much of this trend is driven by a decline in reported hardship for those with household incomes below \$25,000 and even \$50,000, though we also see declines in hardship among those above that income level.

FIGURE 3: VERY DIFFICULT TO PAY FOR USUAL HOUSEHOLD EXPENSES IN LAST SEVEN DAYS



Note: Authors' analysis of U.S. Census Bureau Household Pulse data

FIGURE 4: VERY DIFFICULT TO PAY FOR USUAL HOUSEHOLD EXPENSES IN LAST SEVEN DAYS (BY INCOME)



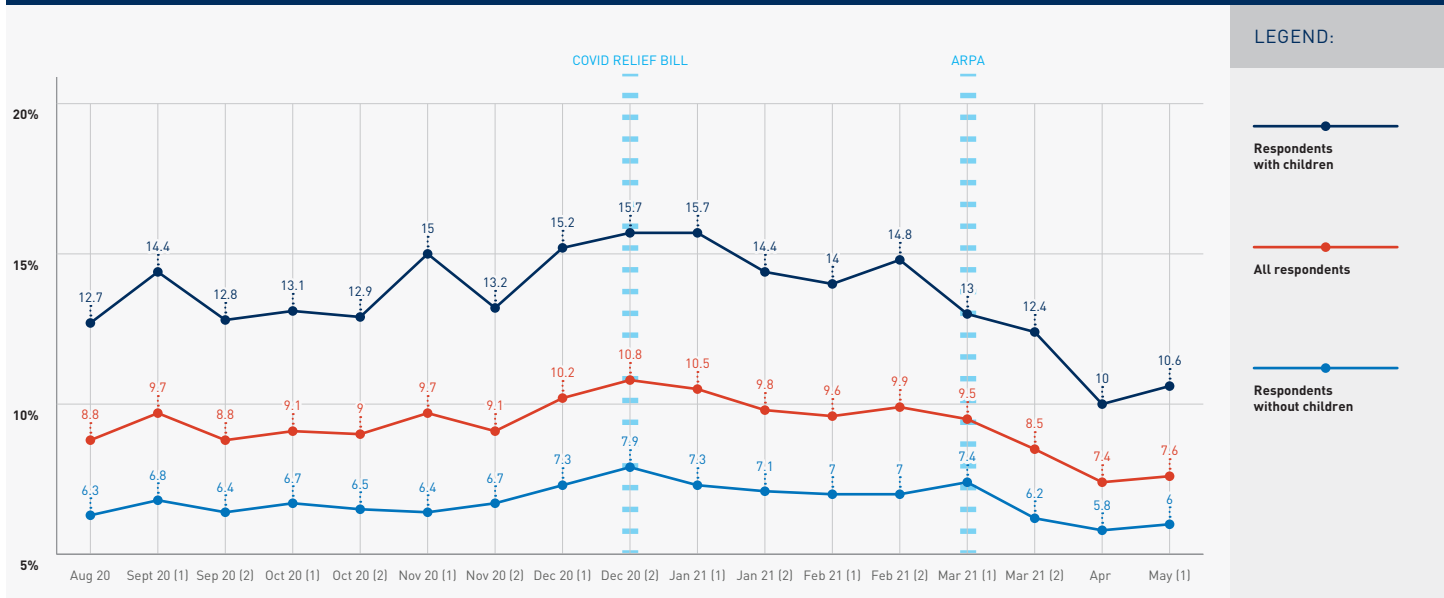
Note: Authors' analysis of U.S. Census Bureau Household Pulse data

HOUSING HARDSHIP

For our measure of housing hardship, we use the question: *Is this household currently caught up on rent/mortgage payments?* Here we see a broadly similar pattern to our other hardship measures, though the sharpest declines come not immediately

after passage of relief bills, but in subsequent survey waves. This could be because many households may have accumulated significant housing debt during the pandemic, which took a bit longer to pay off in full.²⁰

FIGURE 5: BEHIND ON HOUSING PAYMENTS



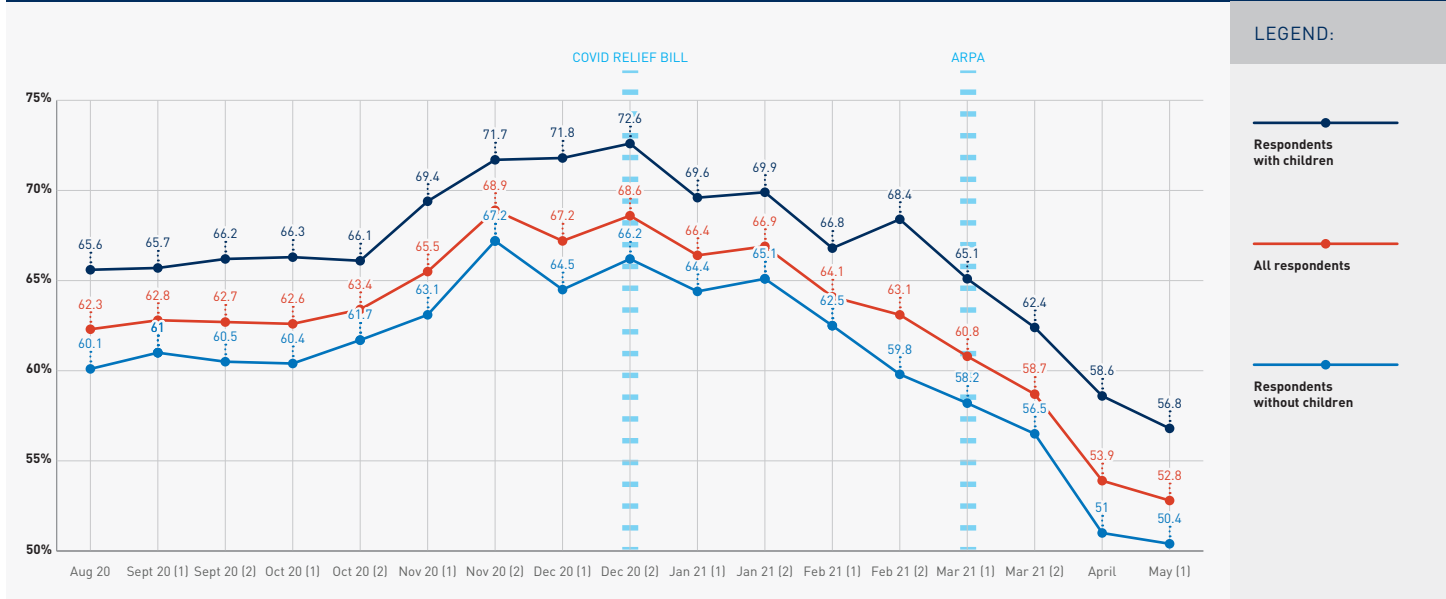
Note: Authors' analysis of U.S. Census Bureau Household Pulse data

MENTAL HEALTH

Finally, we also look at the state of mental health. The Pulse survey asks four questions related to mental health, two of which they categorize as relating to symptoms of anxiety, and two relating to symptoms of depression. The questions ask: *Over the last 7 days, how often have you been bothered by the following problems...*

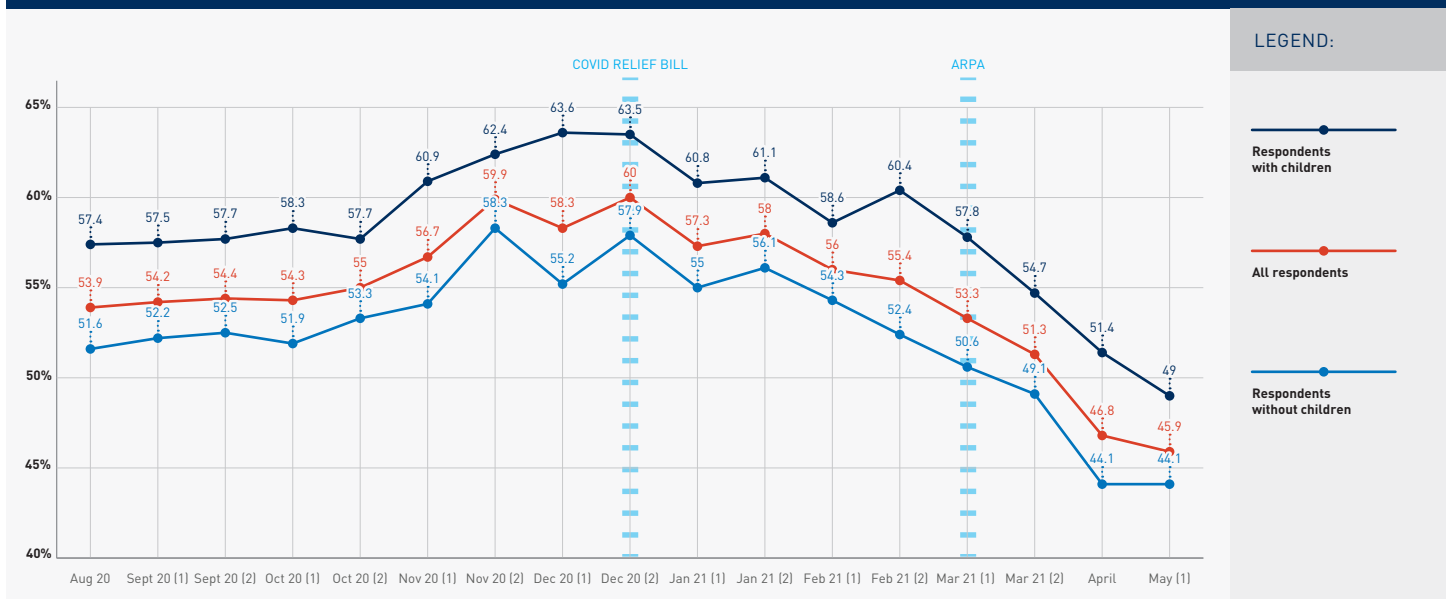
- *Feeling nervous, anxious, or on edge? (anxiety)*
- *Not being able to stop or control worrying? (anxiety)*
- *Having little interest or pleasure in doing things? (depression)*
- *Feeling down, depressed, or hopeless? (depression)*

FIGURE 6: SEVERAL OR MORE DAYS FEELING NERVOUS, ANXIOUS, OR ON-EDGE (ANXIETY) IN LAST SEVEN DAYS



Note: Authors' analysis of U.S. Census Bureau Household Pulse data

FIGURE 7: SEVERAL OR MORE DAYS NOT ABLE TO STOP WORRYING (ANXIETY) IN LAST SEVEN DAYS

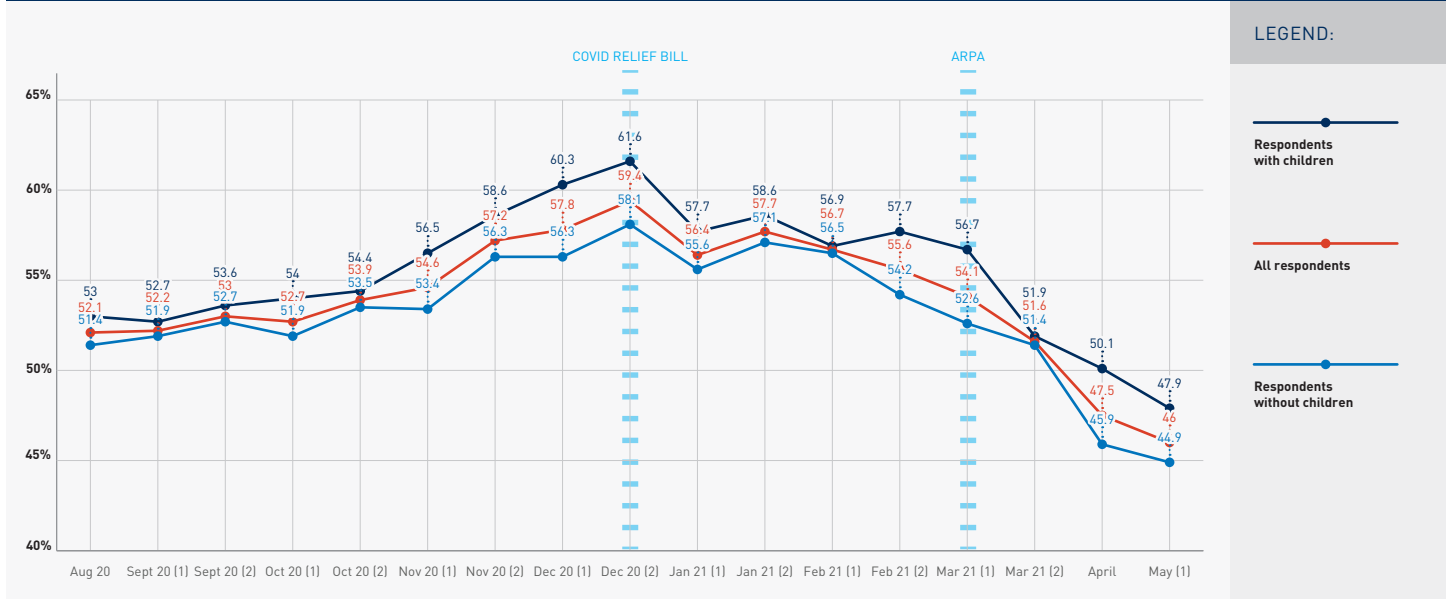


Note: Authors' analysis of U.S. Census Bureau Household Pulse data

Respondents can choose between none at all, several days, more than half the days, or nearly every day. We look at the share of adults who reported being bothered by these problems several days or more out of the past seven. The first two charts below track responses to the questions relating to symptoms of anxiety, while the second two look at symptoms of depression.

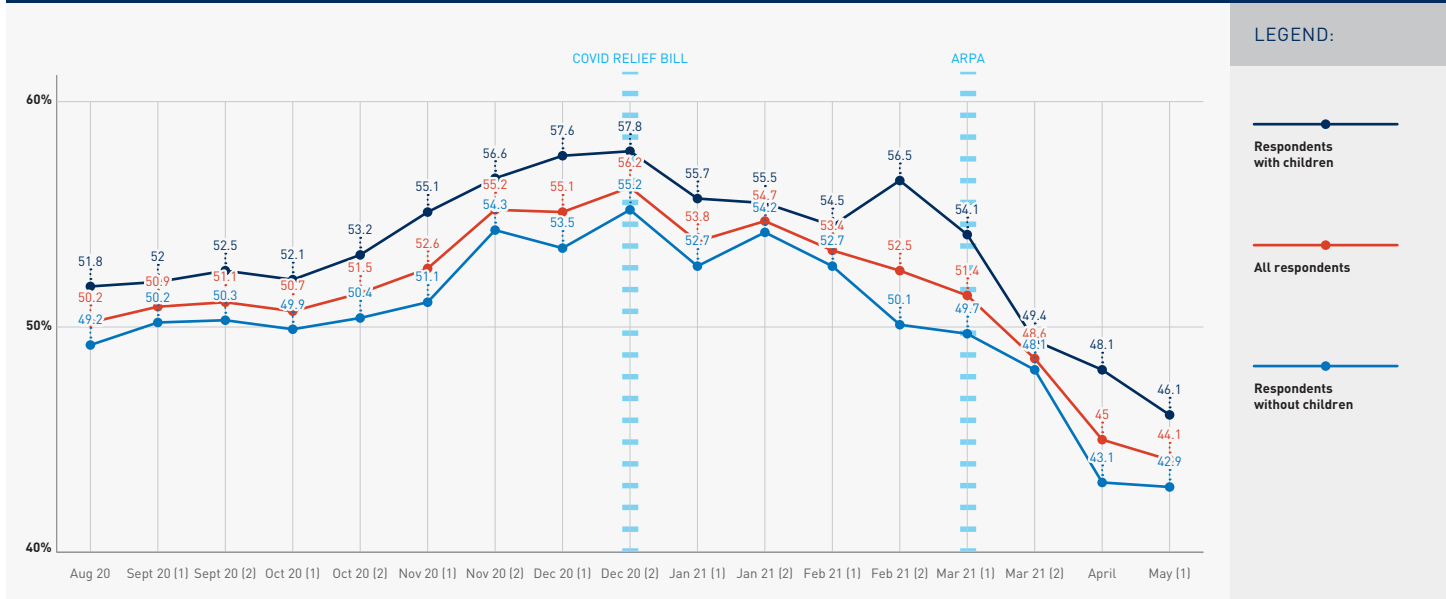
Here again, we see large decreases in the share of adults who report adverse mental health symptoms following the passage of the December 2020 COVID-19 relief bill and ARPA. Between December 2020 and May 2021, the share of respondents reporting frequent symptoms of depression and anxiety fell by over 20%. In addition, whereas reported hardship ticks back up slightly in early May, the share of respondents reporting frequent adverse mental health symptoms continues to decline.

FIGURE 8: SEVERAL OR MORE DAYS LITTLE INTEREST OR PLEASURE IN DOING THINGS (DEPRESSION) IN LAST SEVEN DAYS



Note: Authors' analysis of U.S. Census Bureau Household Pulse data

FIGURE 9: SEVERAL OR MORE DAYS FEELING DOWN, DEPRESSED, OR HOPELESS (DEPRESSION) IN LAST SEVEN DAYS



Note: Authors' analysis of U.S. Census Bureau Household Pulse data

Throughout the pandemic, through the Pulse data, we have seen the state of well-being in U.S. households improve or decline in relationship to the level of government support. Robust, cash-based government support appears to have held hardship at bay in the early months of the pandemic, amidst soaring unemployment. The lack of support in November and December 2020, combined with a stalled economic recovery and rising COVID-19 infection rates, led to a marked increase in hardship at the end of 2020. Strong government support in December 2020 and March 2021, amidst a slow economic recovery, was followed by a dramatic decline in material hardship. Over the past year, in a time of great economic uncertainty, when the federal government pushed cash into U.S. households, they in turn reported much better outcomes. On the other hand, when assistance was scarce, outcomes worsened.

HOW OUR RESULTS COMPARE WITH OTHER FINDINGS

Findings from Pulse presented here are consistent with analyses of numerous other data sources. One noteworthy study that tracks material hardship during the pandemic is the Urban Institute’s Well-Being and Basic Needs Survey (WBNS). The WBNS is particularly useful because it offers annual hardship estimates from December 2019 and December 2020, enabling comparisons of hardship during the pandemic with hardship prior to the pandemic. This type of comparison has not been possible with other hardship measures or surveys including Pulse because of differences in questions and survey modes (i.e., online or by phone) from pre-pandemic surveys.

Urban Institute researchers find that, on average, annual rates of hardship *fell* between December 2019 and December 2020, across a range of categories. Food insecurity fell from 23.9% in 2019, to 20.5% in 2020; utility shut-offs fell from 3.8% to 2.6%; and problems paying medical bills fell from 18.8% to 14.9%.²¹ And this all happened in a context of widespread unemployment: in December 2020, there were 9 million fewer adults working than there were in December 2019.

Urban Institute researchers note that hardship was much higher for those adults who had a member of their household lose employment during the pandemic, with rates of food insecurity roughly double those whose household employment was unaffected.²² This finding, coupled with their finding of increased use of emergency charitable food services throughout the pandemic,²³ may suggest that people who were not caught by the federal government’s safety-net response—such as undocumented immigrants or those who were unbanked or geographically mobile and never received EIPs—

experienced a rise in hardship, as many alternative forms of earning cash (e.g., informal work or selling blood plasma) may have been limited during the pandemic.

Still, in the aggregate, analyses point toward declining or at least stable hardship for millions of households, including those with low incomes. The Federal Reserve survey fielded a supplement to its annual Survey of Household Economics and Decisionmaking (SHED) in July of 2020 and found the share of adults doing “at least okay” financially was 77%, higher than the 75% who answered that question in the affirmative in October of 2019, when the economy was surging. In addition, 70% of adults responded that they could cover a \$400 expense if they needed to, up from 63% in October of 2019.²⁴ Improvements were concentrated among low- and moderate-income families. In the SHED fielded in November 2020, many indicators worsened from the July findings but were largely consistent with the findings from the comparable fall 2019 survey.²⁵ Another report from the Federal Reserve utilizing administrative data found that defaults on household debt *declined* in 2020, owing to CARES Act income supports and loan forbearance programs.²⁶ Credit scores were also at an all-time high in July 2020.²⁷

These findings are further buttressed by monthly estimates of income poverty throughout the pandemic, which align with the ebb and flow of government income transfers over the past year. Parolin et al. generate monthly estimates based on the Supplemental Poverty Measure (SPM), accounting for all taxes, credits, government transfers, and employment income in a given month.²⁸ Similar to the trends we see in the Pulse hardship data, the authors find declines in poverty early in the pandemic, followed by a slow increase in poverty and then relative stability through the remainder 2020. They then find a sharp decline in January 2021 and then again in March 2021, when the federal government again pushed cash into U.S. households.²⁹

Other recent analyses suggest that a broad and generous cash-based safety net not only helped to reduce hardship for individual households, but also stabilized the economy as a whole, preventing a deeper economic crisis, and setting up the U.S. economy for a strong recovery.³⁰ Analyses from early in the pandemic found that the spending of unemployed individuals who received expanded unemployment assistance was *up 10%*, compared to pre-pandemic spending, stoking aggregate demand and likely preventing greater job loss.³¹ Data from the Opportunity Insights Economic Tracker also shows that consumer spending had nearly reached pre-pandemic levels by September 2020, despite an unemployment rate of nearly 8%.³² And a recent analysis from the Brookings

Institution projects ARPA spending will vault U.S. Gross Domestic Product above pre-pandemic projections by the end of 2021, a benchmark that was not projected until after 2023 absent the relief package.³³ In sum, robust and broadly accessible income transfers may have not only prevented deeper hardship for millions of American households, but simultaneously propped up the overall economy, likely preventing a prolonged economic slowdown.

CONCERNS ABOUT INFLATION AND WORK DISINCENTIVES

There have been two major critiques of a generous cash-based safety net. The first is that if workers were handed cash and generous unemployment benefits, it would provide a disincentive to return to work. While this critique is continually raised by many, and has even led some states to pull back on unemployment assistance,³⁴ more research is needed to understand the extent to which generous UI benefits are depressing employment rates. Some of the trouble employers are having finding workers may be the result of natural frictions that come from bringing millions of workers back to work in still uncertain economic times, such as mismatches between workers' skills and employer demands.³⁵ Contributing to these frictions, an abnormally large share of unemployed workers reported in a recent Pew survey that they have considered changing careers as a result of the pandemic,³⁶ and the continued threat of COVID-19 may also play a role in preventing some from returning to work.³⁷ It should also be noted that many of the industries currently looking for workers are the same that were looking for workers in 2019—largely the low-skill service industry—perhaps a sign that these sectors need to raise wages in order to fill jobs.³⁸ Indeed, President Joe Biden's administration maintains that more bargaining power conferred to low-wage workers is an advantage, not a flaw, of the shape of this recovery.³⁹ Finally, while it may be possible that expanded unemployment insurance is having some impact on the rate of hiring, we also must bear in mind that consumer buying power—in part supported by expanded benefits—has been contributing to the country's economic resurgence. So while it is certainly possible that expanded UI is slowing the rate of employment growth to some extent, it is less clear at this point how large a role it is playing and how this potential work disincentive should be balanced against the advantages expanded UI has brought to workers and the overall economy.

The other, related concern is that the government may have supported consumer demand *too* well, perhaps prompting inflation. While many analysts note that recent large price increases are due to temporary supply bottlenecks for goods

like lumber as demand for home renovations spikes,⁴⁰ the Consumer Price Index (which measures the rise in prices of a basket of basic goods) in April 2021 was up 4.2% from a year prior, well above analysts' projections.⁴¹ Indeed, high inflation could spell trouble for the overall recovery, if the Federal Reserve is moved to raise interest rates. Still, others note that the recent sharp rise in prices is not necessarily a cause for concern, given how prices actually fell early in the pandemic.⁴² And based on the *low* rate of inflation and sluggish wage growth in the U.S. over the past decade,⁴³ and the various dynamics at play in this pandemic-induced recession, some economists have cautioned that we should not be overly concerned even if we see a temporary rise in prices and wages—that this temporary “reflation” might actually be good for the economy.⁴⁴

On both of these issues, more data, analysis, and time is needed to understand what is really happening. What we know for sure, however, is that hardship is down in U.S. households across the income spectrum, a societal goal we should also take into account when looking at broader economic indicators.

CONCLUSION

In April 2020, over 20 million Americans lost their jobs. With the unemployment rate higher than at any point since the Great Depression and businesses across the country shuttered, the stage was set for widespread hardship. Yet, what we see in the data is that when the federal government took action in the form of robust, broad-based cash income transfers that responded to macroeconomic conditions, hardship was held at bay and by some estimates even declined. Clearly according to the Pulse data, hardship across numerous measures fell sharply directly following the delivery of significant income transfers by the federal government, and by April 2021, rates of hardship had fallen to their lowest point during the pandemic.

From a year of looking at hardship data through the Pulse survey, we see three reasons why the robust, federal, cash-based response to this pandemic-induced recession was so effective. First, we are able to see from the data how quickly hardship eased when households were provided with cash. While the process of sending out EIP checks was not without shortcomings, tens of millions of American households got cash immediately wired into their bank accounts following the passage of relief packages. After each infusion of cash, we see material hardship immediately drop.

Another characteristic we believe made the response so effective was that it was broad based. While typical safety-net programs are targeted at the lowest-income households—

often stigmatizing these programs and breeding resentment for recipients—the income-support measures implemented through the three federal relief packages over the past year were as broad-based as any federal income transfer support program ever implemented. The vast majority of American households received EIP checks, and every recipient of unemployment insurance received the same federal supplement. Perhaps because of the broad nature of the relief, we see hardship decline for middle-income as well as low-income households. We also see that the federal response was very popular among Americans.⁴⁵

Finally, we believe the response was effective because it relied primarily on a flexible resource in cash transfers. Rather than

provide targeted and in-kind aid, the government provided cash directly to American households, allowing them to use it to meet their immediate needs as they saw fit. The data indicate that millions of households spent that money on food, housing, and other household expenses, as well as to pay down debt and get on stable financial footing as the economy rebounds.⁴⁶

During the COVID-19 pandemic, the federal government used a flexible, broad-based, quickly deployed, cash-based safety net to respond to the greatest economic crisis in modern times. The evidence suggests that doing so went a long way in preventing widespread hardship. The success of this approach is worth learning from, and building off of, in the months and years ahead.

ENDNOTES

- 1 Patrick Cooney is the assistant director of economic mobility at Poverty Solutions at the University of Michigan.
- 2 H. Luke Shaefer is the Hermann and Amalie Kohn Professor of Social Justice and Social Policy and faculty director of Poverty Solutions at the University of Michigan.
- 3 [Parolin, Z., Curran, M., Matsudaira, J., Waldfogel, J., & Wimer, C.](#) (2020) *Monthly Poverty Rates in the United States during the COVID-19 Pandemic*. Center on Poverty & Social Policy at Columbia University Poverty and Social Policy Working Paper

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- 8 [Cooney, P. & Shaefer, H.L.](#) (2021) *Trends in Hardship and Mental Health in the United States at the End of 2020*. Poverty Solutions at the University of Michigan.
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- 12 Cooney & Shaefer, *Trends in Hardship*.
- 13 ARPA also broadened eligibility for the existing Child Tax Credit, made the credit fully refundable, and directed the IRS to send the credit as periodic advanced payments, beginning in July of this year. Because payments do not start until July of this year, the impact of those payments is not yet captured in the data.
- 14 Parolin et al., *Monthly Poverty Rates*. [Center on Poverty & Social Policy at Columbia University](#).
- 15 Income categories are based on respondents’ 2019 incomes.
- 16 This measure of food insufficiency differs from the U.S. Department of Agriculture’s definition of food *insecurity*, which is assessed based on responses to a battery of questions related to food access.
- 17 Between the first and second phases of the Pulse survey, the survey sample was expanded and the share of respondents who did not complete certain items rose significantly, leading us to be hesitant about comparing Phase 1 results with results from Phase 2 and 3.
- 18 August had only one survey collection period, aligning with the second half of the month.
- 19 Individuals with incomes up to \$75,000, single heads-of-household with incomes up to \$112,500, and married couples and joint filers with incomes up to \$150,000 were eligible for the full amount of the checks, with amounts phasing down beyond those income levels.
- 20 Due to missing data fields for the share of respondents in certain income brackets that did not respond to housing questions, we are unable to provide housing data by income.
- 21 Karpman and Zuckerman, *Average Decline in Material Hardship*.
- 22 Ibid
- 23 [Waxman, E., Gupta, P., & Gonzalez, D.](#) (2021) *Charitable Food Use Increased Nearly 50 Percent from 2019 to 2020*. The Urban Institute.
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- 35 [Long, H.](#) (2021, May 7) *It’s not a ‘labor shortage.’ It’s a great reassessment of work in America*. Washington Post.
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