



Low- & middle-income
Americans need the
most **help**

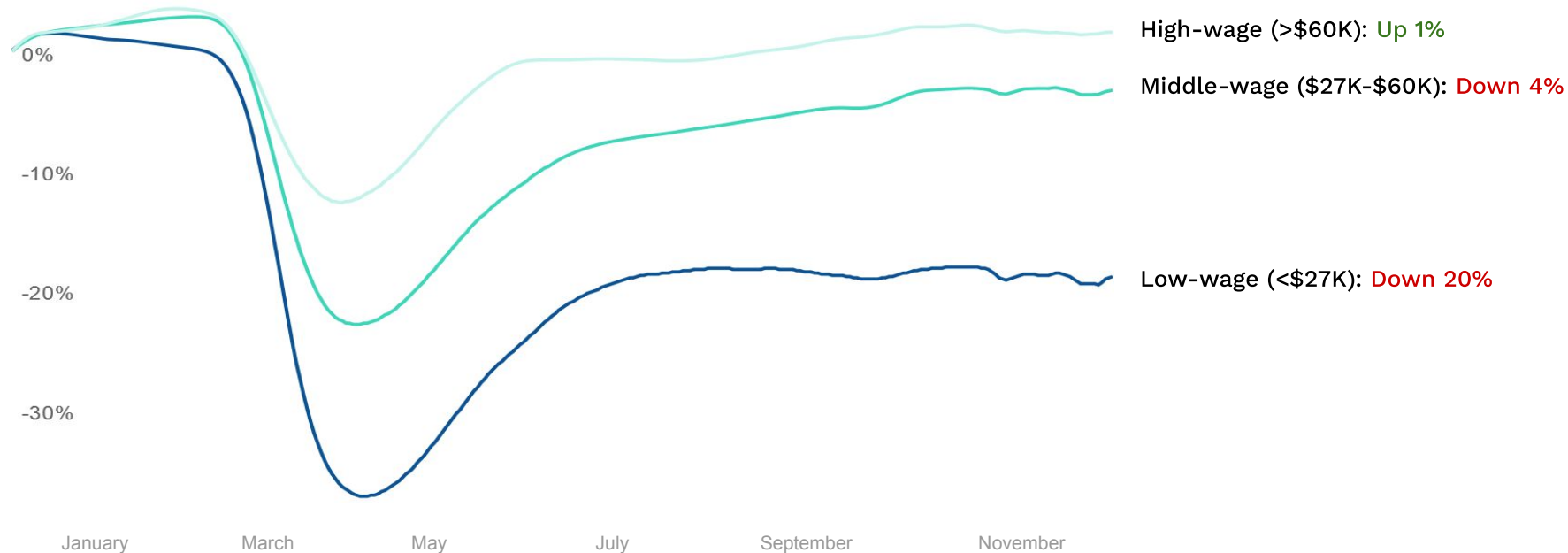
HALF OF ALL AMERICANS ARE STRUGGLING, AND MOST HAVE NOT RECOVERED

55% OF ALL ADULTS had their income disrupted last year

ONLY 1 IN 6 of them say their income is back to normal

JOBS HAVEN'T RECOVERED FOR LOW- AND MIDDLE-INCOME WORKERS

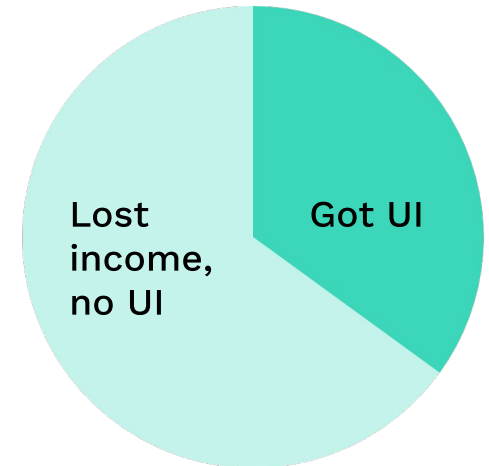
Employment rate by income level, Jan. 2020 - Dec. 2020



UI ONLY REACHES $\frac{1}{3}$ OF LOW- AND MIDDLE-INCOME FAMILIES WHO LOST JOB INCOME

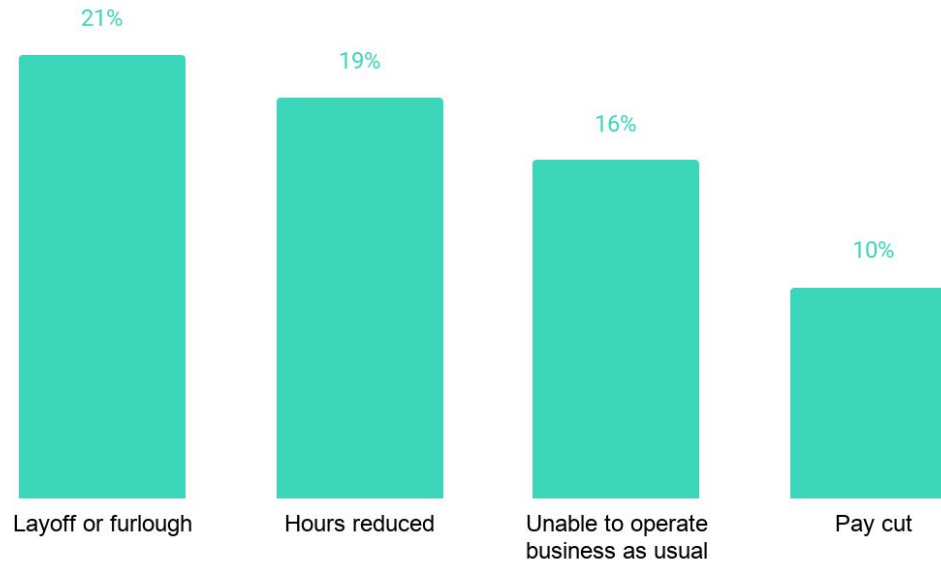
OF THE 69 MILLION HOUSEHOLDS UNDER \$50K:

- **40 million** lost job income last year – whether laid off but couldn't access UI, or reduced hours/pay
- **Only 14 million** received unemployment insurance



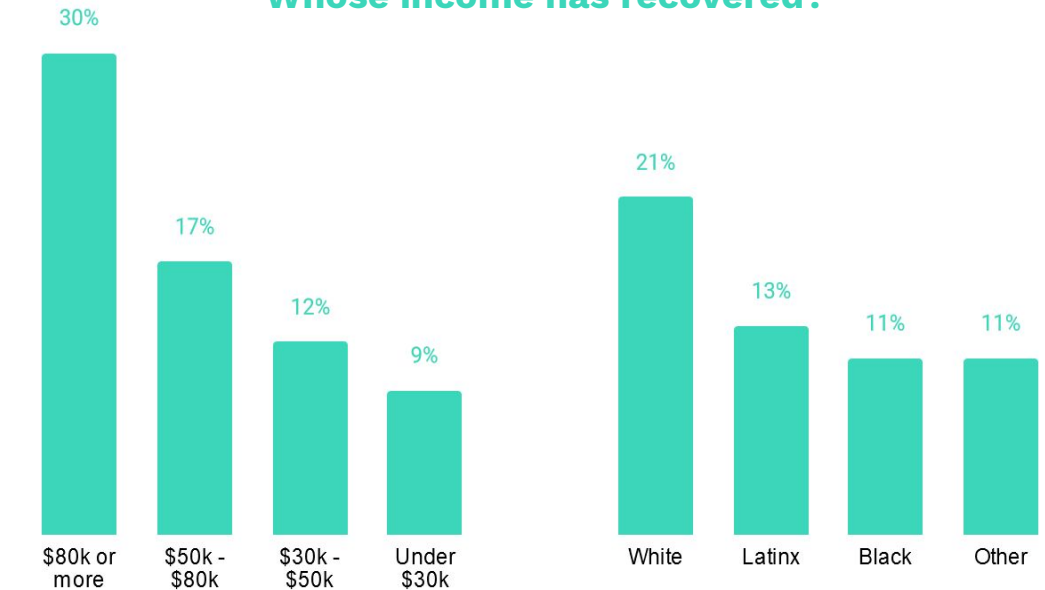
EVEN THOSE WHO KEPT JOBS LOST INCOME

Why did households experience income disruptions?



INCOME HAS NOT BOUNCED BACK FOR THOSE IN THE BOTTOM HALF OF INCOMES AND PEOPLE OF COLOR

Whose income has recovered?

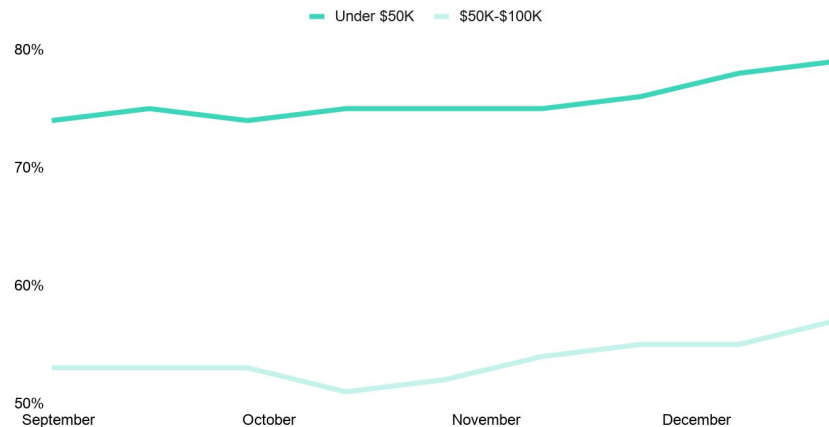


Percentage of those who report their income has recovered by income and race, Nov. 11-13, 2020

IT'S GETTING WORSE: IT'S INCREASINGLY DIFFICULT FOR LOW- INCOME FAMILIES TO MEET BASIC EXPENSES

Census data show that **79% of low-income families** are still having difficulty meeting expenses – up from previous months.

Difficulty meeting basic needs has increased



IT'S GETTING WORSE: EVEN WITH BROAD RELIEF, AMERICANS CONTINUE TO STRUGGLE

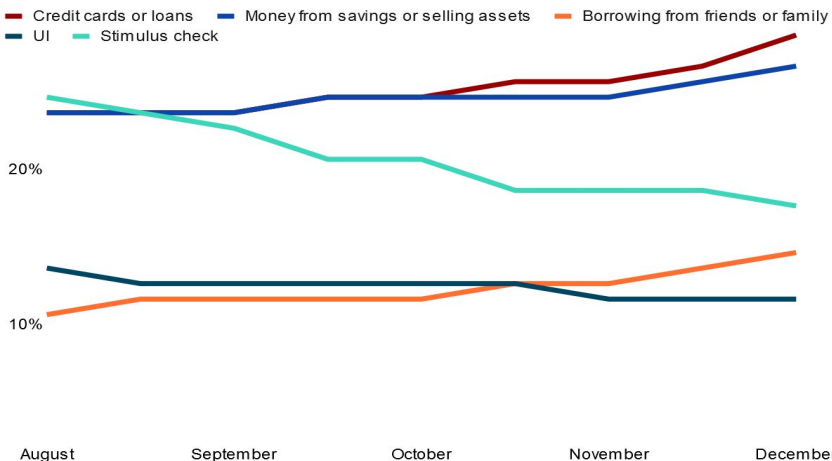
More income losses are expected. 40% of workers under \$50K expect to lose income in the next month – compared to about 30% August through October.

Food insecurity is widespread. 35% of families under \$40K have used food banks – despite 37% receiving government food assistance.

Housing is not secure, even with protections in place. 23% of families under \$50K are behind on rent, and 19% have no confidence in paying the next month's rent. Only 1% said their rent payment had been deferred.

As checks run out, families rely more on credit cards, savings, and borrowing to meet basic needs

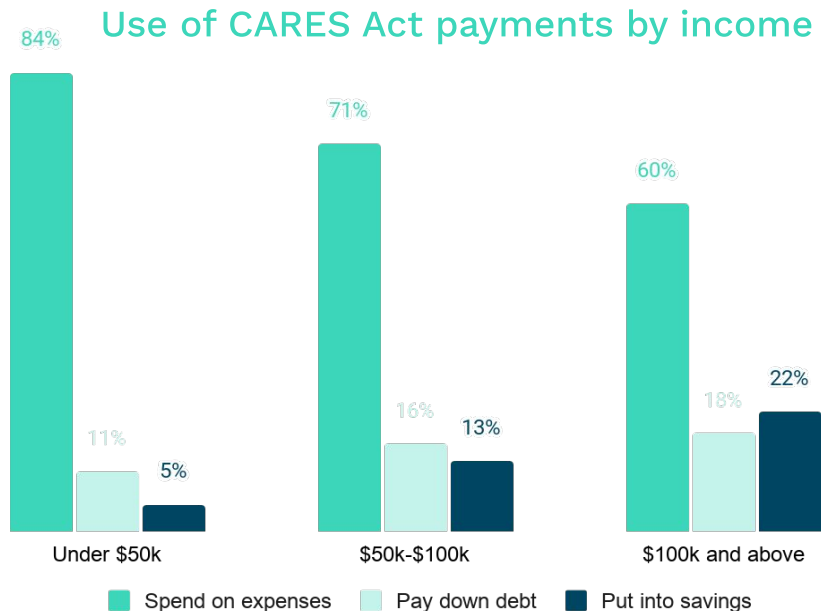
Source of spending to meet basic needs over past week, Aug.-Dec.



ONE CHECK RUNS OUT: LOW-INCOME FAMILIES SPEND CHECKS, SO THEY RUN OUT IN A COUPLE MONTHS

Census data confirm that **84% of low- and middle-income families spent** or planned to spend CARES Act payments on expenses.

People with the least **spent nearly half** of their CARES checks **within 10 days**. Overall boost in consumer spending ran out in 2-3 months.



ONE CHECK RUNS OUT: MOST SPENT CARES ACT CHECKS WITHIN A FEW WEEKS OR MONTHS

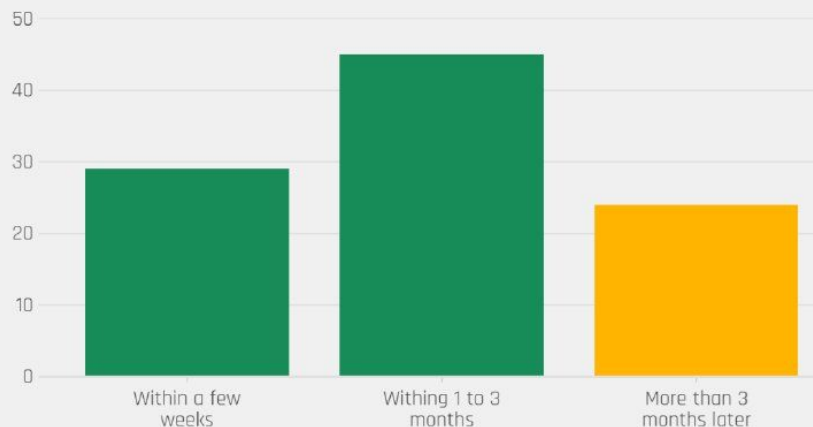
75% of recipients spent their checks within 3 months. Nearly three in ten spent them within a few weeks.

53% of Americans say new \$600 checks will last **less than a month.** 69% say 3 months or less.

Rebates got to families fast and they spent rapidly

Families who plan to mostly spend rebate will do so quickly

Percent of "mostly spend" families by time horizon for spending



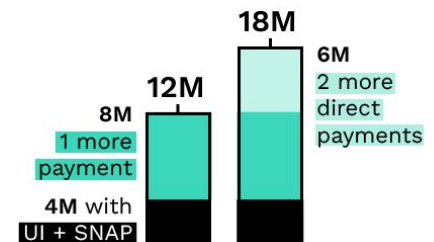
Source: Michigan Survey, May and June 2020.

ONE CHECK RUNS OUT: THE KEY TO RECOVERY IS RECURRING CHECKS UNTIL THE CRISIS ENDS

- Dramatically **cut poverty**, reaching a broad cross-section of those struggling and reaching millions locked out of **unemployment insurance**
- Add **certainty** for households, who can spend checks and boost the economy, knowing that more help is on the way
- Proved in Georgia to be a critical **political** issue
- Provide **ongoing help**: CARES checks were spent in a couple of months
- **Encourage job-seeking**: EIPs had no labor supply impact for employed, but 20% of unemployed said EIPs caused them to look harder for a job.

Unemployment Insurance is essential but not enough: we need recurring direct payments too

Recurring direct payments keep 14 million out of poverty



LOW-INCOME FAMILIES SPEND; HIGH-INCOME FAMILIES SAVE

- “Stimulus payments made to households in mid-April 2020 **increased spending among low-income households sharply**, nearly restoring their spending to pre-COVID levels by late April.” [Chetty, et al, November 2020](#)
- “[L]ower-income households were **significantly more likely to spend their stimulus checks**, as were households facing liquidity constraints.” [Coibion, et al., August 2020 \(NBER\)](#)
- “Adults in households with incomes between \$75,000 and \$99,999 were more likely to use their stimulus payments to pay off debt or to add to savings, compared to households overall. . . . In contrast, **87.6% of adults in households with incomes of \$25,000 or less planned to use their stimulus payments to meet expenses.**” [U.S. Census Bureau, June 2020](#)
- “Individuals with less than \$500 in their accounts **spend almost half of their stimulus payments within ten days** – 44.5 cents out of every dollar – while we observe no response for individuals with more than \$3,000 in their accounts.” [Baker, et al, May 2020](#)

EXPERTS AGREE: THE KEY TO RECOVERY IS RECURRING CHECKS UNTIL THE CRISIS ENDS

Supporting recurring checks til the economy recovers:

- 127 economists
- 5,600 small business owners, and associations representing 160,000 small businesses
- 50 faith leaders, representing 30M worshipers
- 115 progressive, labor, and community groups
- 34 mayors and dozens of other local electeds

“Send more direct checks to all families except high-income households now and be ready to repeat on a monthly or quarterly basis until the crisis is over.” Economist Claudia Sahn, *New York Times*, January 21, 2021

“Recurring direct payments will help families meet basic needs, boost state and local economies, and speed the recovery.”

Open letter from 127 economists, November 23, 2020

“Emergency aid should last as long as the emergency.” *New York Times Editorial Board, January 19, 2021*

“Aid should be focused on people further down the income distribution ladder than the previous payments.” *Washington Post Editorial Board, December 8, 2020*



Targeted recurring checks
can help struggling
Americans, **now.**

TARGET RECURRING CHECKS TO THOSE WHO NEED IT & WILL SPEND IT: THE BOTTOM 60%

- **New income thresholds**
 - **\$2,000 checks**, targeted to those who need it most and will spend it
 - Income phaseouts, built around median income (\$36K for singles, \$69K for households)
 - Single: full check amount up to **\$30,000**, reduced amount up to **\$40,000**
 - Married/no dependents, or head of household: **\$40,000 - \$80,000**
 - Married with dependents: **\$50,000 - \$100,000**. (Biden proposal covers families up to \$290,000)
- **Include immigrant workers and dependents of all ages with an equal credit amount**
- **Improved administration**
 - Automatic payments to all eligible households, to reach millions of non-filers
 - Updated 2020 tax returns for a more accurate reflection of current need
 - Existing infrastructure and taxpayer data (e.g., Non-Filer Portal)
 - Stronger outreach to communities left behind in previous rounds
 - Prohibit garnishment of payments

POLICY DETAILS

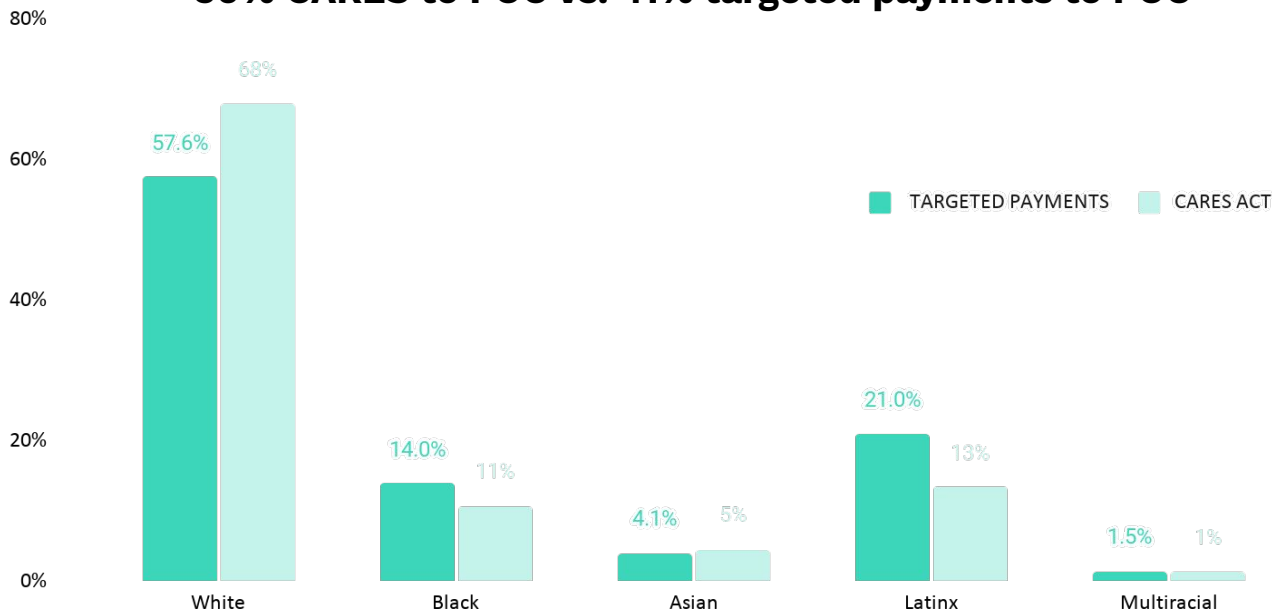
- **What would trigger checks to continue (automatic stabilizer options)? Options:**
 - **Best: Employment-to-population (EPOP) ratio** rises to 60%
 - EPOP is essentially the employment rate: the number of people currently employed as a share of the total working-age population.
 - EPOP is more accurate than the unemployment rate, which omits many out of work and underemployed – and is a metric endorsed by former Obama economist Jason Furman.
 - Current EPOP (Dec. 2020): 57.4%; pre-pandemic (Feb. 2020): 61.1%
 - Alternatives:
 - **Unemployment rate** reaches 5.5% (and drops for two months in a row). Current U-3 unemployment rate (Dec. 2020): 6.7%
 - Two months after **vaccine distribution** reaches some CDC target threshold and a metric representing economy reopening is reached, such as employment or unemployment rate
 - Two months after the **public health emergency** is declared ended
- One approach to consider is an economic trigger, with a maximum of four quarterly checks (e.g. checks end with whichever comes sooner: EPOP ratio rising to 60% or 4 quarterly checks), unless Congress votes to add more checks. This allows certainty for families, small businesses, and for Congress with CBO scoring.

BENEFITS OF BETTER TARGETING

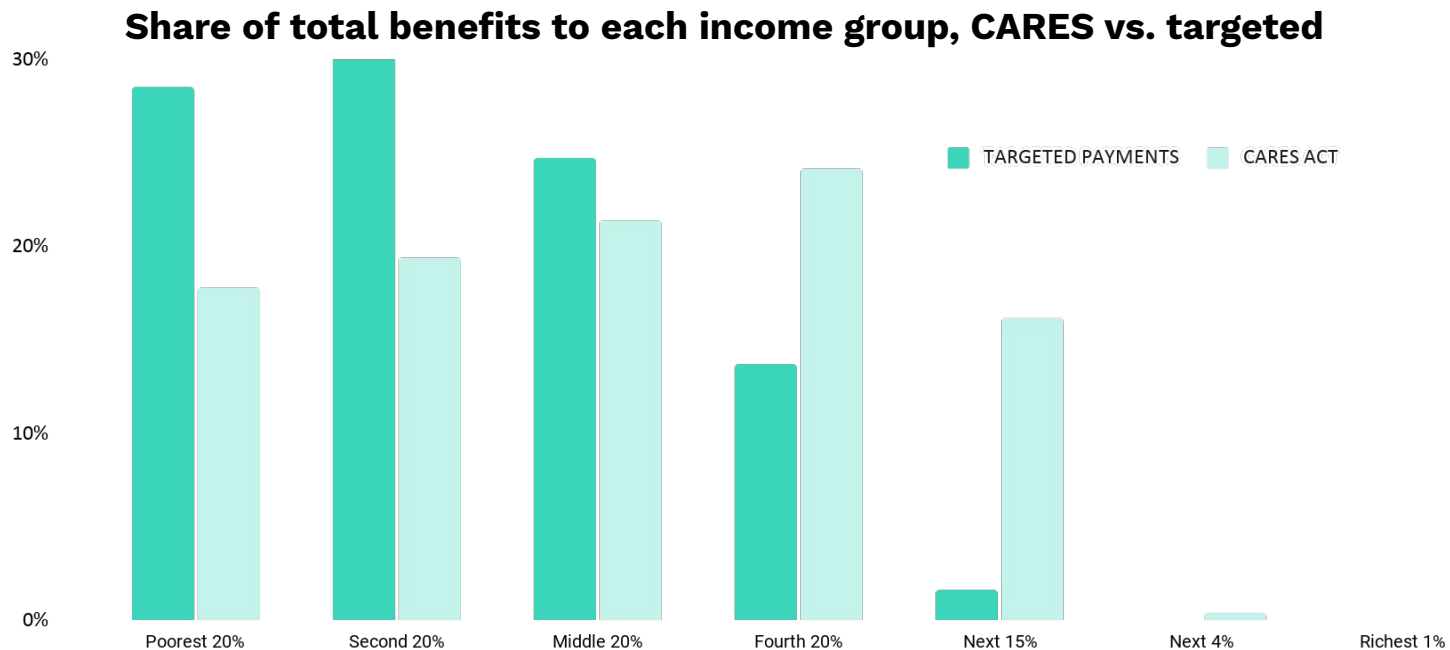
- **Most progressive option: most benefit to the bottom 60% of earners**
 - 65% of Americans benefit
 - 84% of total benefits to bottom 60% of households (under \$65,000)
- **Most racially equitable option: outsized impacts for households of color**
 - 75% of Black and Latinx families get a check vs. 61% of white families
 - 41% of benefits go to households of color vs. 34% for HEROES Act payments
- **Most stimulative option: most bang for the buck**
 - Generates at least \$1.06 in GDP for every \$1 in stimulus checks
 - Restricting to low- and middle-income families directs dollars to those who will spend it, and excludes high-income families who will save or invest it, and will increase that GDP multiplier even further.

BETTER TARGETING BOOSTS RACIAL EQUITY

Share of total benefits to each race/ethnicity:
30% CARES to POC vs. 41% targeted payments to POC



BETTER TARGETING BOOSTS INCOME EQUITY



THE MOST BANG FOR THE BUCK

THE DATA SHOW THAT DIRECT PAYMENTS:

- **Directly increase rural **small business revenue****, especially in rural communities in the South.
- **Targeted to the bottom half would have a **smaller price tag**** for each payment, enabling recurring or multiple payments.
- **Put more cash into local economies and **strengthens state budgets****, boosting consumer spending and generating critical tax revenue.
- **Have strong **economic ripple effects****. Fiscal multipliers increase the more a program is targeted at those in need, who have the highest marginal propensity to consume would make the fiscal multiplier even stronger.

RECURRING CHECKS ARE A POLITICAL WINNER

76% OF AMERICANS support recurring checks

Targeted checks cost less, making recurring payments until the economy recovers more feasible.

Checks are the most tangible part of the stimulus for most families. That's how they experienced government working.

Checks have bipartisan support among lawmakers and voters.

70% of swing district voters say we should spend what it takes to help people meet basic needs.

COST/IMPACTS OF INCOME-TARGETED CHECKS

	HEROES	Targeted HEROES	CARES	Targeted CARES	CASH Act	Targeted CASH Act	\$2000 checks	Targeted \$2,000 checks	\$600 checks	Targeted \$500 checks
Payment amount	\$1,200/ \$1,200	\$1,200/ \$1,200	\$1,200/ \$500	\$1,200/ \$500	\$1,400/ \$1,400	\$1,400/ \$1,400	\$2,000/ \$2,000	\$2,000/ \$2,000	\$600/ \$600	\$500/ \$500
Cost per payment	\$338 billion	\$207 billion	\$266 billion	\$166 billion	\$434 billion	\$247 billion	\$590 billion	\$353 billion	\$156 billion	\$88 billion
Income thresholds	CARES	Targeted	CARES	Targeted	CARES	Targeted	CARES	Targeted	CARES	Targeted
Share of households eligible	92%	65%	92%	65%	95%	65%	95%	65%	89%	65%
Share to bottom 60%	58%	84%	59%	84%	57%	84%	57%	84%	60%	84%



CONTACT:

Anna Aurilio

Federal Campaign Director

anna@economicsecurity.us

www.economicsecproj.org