Leveraging the Urgency of Economic Disparities Driven by the COVID-19 Pandemic to Strengthen the U.S. Safety Net

Rita Hamad, MD, PhD, University of California, San Francisco; **Krista Ruffini, PhD,** Georgetown University; **Marianne Bitler, PhD,** University of California, Davis, and Federal Reserve Bank of Minneapolis; and **Janet Currie, PhD,** Princeton University

February 7, 2022

The adverse economic impacts of the COVID-19 pandemic have contributed to socioeconomic and health disparities in the United States, with a disproportionate impact among low-income persons and communities of color. However, these disparities documented over the past two years are not new, and historically the U.S. safety net has not buffered vulnerable families from financial adversity to the same extent as do the safety nets of most peer nations. Policymakers, community organizations, and other stakeholders should leverage the urgency of this crisis to strengthen the safety net.

The COVID-19 Pandemic Had a Major Impact on Economic Disparities

The COVID-19 pandemic resulted in unprecedented levels of financial hardship. Business closures resulted in unemployment that peaked at nearly 15 percent in April 2020 and remained elevated even one year later at 6.1 percent (Falk et al., 2021). Millions of Americans fell into poverty in 2020, although the policy response led to some recovery (Parolin et al., 2020). These burdens have not been borne equally. In the face of school and childcare closures that lasted over a year in some areas, low-income people who were more likely to be essential workers struggled to balance childcare with work, while higher-income individuals could work remotely more easily. Similarly, because of structural racism in employment opportunities, Black and Latinx workers—particularly women—are more likely to work in low-paid industries: these low-paying jobs make up 30 percent of all jobs but 56 percent of jobs lost during the pandemic (CBPP, 2021). As a result, 44 percent of Black families and 38 percent of Latinx families reported having trouble paying household expenses in October 2021 compared with 23 percent for White families, with similar disparities during earlier periods of the pandemic (CBPP, 2021).

These Disparities Are Not New, and Their Effects on Health Inequities Are Well Established

The social and economic disparities documented during the COVID-19 pandemic are not new. Instead, they represent the latest exacerbation that builds on longstanding racial/ethnic and socioeconomic inequities in income, housing, and other social determinants of health (Galea and Abdalla, 2020). Even before COVID-19, the poverty rate among Black people in the U.S. was more than double that among White people (21 percent and 9 percent, respectively, in 2019). Income inequality in the U.S. is the sixth-highest of any country in the Organisation for Economic Co-operation and Development (OECD), despite the U.S. having the highest gross domestic product (GDP) and seventh-highest GDP per capita (OECD, 2021).

These economic disparities are concerning on their own. However, they are also concerning because financial hardship has well-documented effects on health, including maternal and child health, chronic disease, cancer screening and survival, and mortality. For example, job loss and financial insecurity are established risk factors for mental health problems (Burgard et al., 2013), and studies show that the Great Recession of 2008–2009 resulted in worsened mental health, increased use of mental health services, and increased suicide risk, even among those who remained employed (Currie and Tekin, 2015; Forbes and Krueger, 2019; Modrek et al., 2015). Economic downturns also have the potential to widen health disparities, with disadvantaged individuals being subject to a cascade of hardships (e.g., the negative health effects of the Great Recession accrued disproportionately to individuals of lower socioeconomic status) (Margerison-Zilko et al., 2016; Pilkauskas et al., 2012).

There is mounting evidence of the ways in which economic disparities have likely exacerbated health disparities during the COVID-19 pandemic as well: not only have COVID-19 mortality rates among Black, Hispanic, and Asian people been more than double those among Whites (Lopez et al., 2021), but people of color also experienced elevated risk of death due to other non-communicable chronic conditions such as heart disease (Wadhera et al., 2021). Similarly, Black and Latinx adults were more likely to face food insufficiency than White adults (17 percent and 16 percent, and 6 percent, respectively, in October 2021) (CBPP, 2021), and more likely to report anxiety and depression compared with White adults (48 percent, 46 percent, and 41 percent, respectively) (Panchal et al., 2021). Limited access to or avoidance of health care likely worsened health disparities.

There Were Major Expansions to the Safety Net during COVID-19

To buffer families from these financial hardships during the pandemic, U.S. federal and state governments took steps to augment existing safety net policies. In March 2020, Congress enhanced traditional unemployment benefits by increasing benefit amounts and duration and expanding eligibility to some previously ineligible workers. All recipients of the Supplemental Nutrition Assistance Program (SNAP, i.e., food stamps) were allowed to receive the maximum benefit amount for their household size. In May 2021, the American Rescue Plan Act temporarily expanded the Child Tax Credit (CTC), a federal benefit for families with children, to include lower-income and unemployed parents—it had previously primarily benefited middle-income households—and the benefit size was increased. Individuals who became ineligible for the earned income tax credit (EITC) because they were unable to work in 2020 were allowed to claim the benefit using their 2019 income, and workers without custodial children became eligible for a larger credit. States were also prevented from disenrolling people from Medicaid for the duration of the health emergency.

Moreover, new safety net policies were put in place. Before the pandemic, the U.S. was the only high-income country (and one of six in the world) not to offer paid leave for employees who were sick or caring for a family member or newborn child. The Families First Coronavirus Response Act, passed in March 2020, required certain employers to provide employees with paid sick leave or family and medical leave for reasons related to COVID-19. Meanwhile, the Centers for Disease Control and Prevention and state governments issued and extended eviction moratoria to provide housing stability to millions of families. Most Americans also received multiple rounds of economic impact payments (i.e., stimulus checks), and the Pandemic Electronic Benefit Transfer (P-EBT) program provided grocery vouchers for the value of school meals lost due to school closures.

Studies over the past year have shown that these policies effectively protected families from the adverse economic consequences of the pandemic; for example, the CTC and unemployment benefits reduced food insecurity among vulnerable families (Raifman et al., 2021; Shafer et al., 2022). Unfortunately, many provisions were temporary or disappointingly inadequate. Eviction moratoria, additional unemployment benefits, the CTC, and paid leave have all expired. In any case, the latter was only applicable to private employers with fewer than 500 employees and certain public employers, and many small businesses qualified for exemptions, leaving nearly 100 million employees without guaranteed paid leave (Findlay, 2020).

Moreover, there were challenges in accessing benefits for many programs because of administrative hurdles in implementing programs by states, which had little capacity to expand during crises without direct action from Congress. There were particular challenges among immigrant families, who faced (often statutory) obstacles to program eligibility, despite being disproportionately represented among essential workers. Some programs addressed these barriers through pandemic-specific waivers—for example, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) waived the requirement that pregnant and postpartum women be present in person to receive benefits. Other programs, however, such as unemployment insurance (UI), were besieged by difficulties such as dysfunctional websites and long delays in processing claims, and some payments had to be set to round numbers to accommodate antiquated systems. Indeed, even before the pandemic, a growing literature has documented the bureaucratic obstacles or "administrative burdens" that prevent families from accessing benefits for which they are eligible, including separate lengthy applications for each program, burdensome paperwork, limited support for non-English speakers, and confusing and complex eligibility criteria

(Herd and Moynihan, 2019). Participation rates among those eligible for SNAP and the EITC are roughly 80 percent, and only half of pregnant women eligible for WIC receive benefits. As the largest U.S. poverty alleviation program for families with children, the EITC alone provides recipients with up to $6,700 in annual tax refunds, so incomplete take-up amounts to billions of dollars of unclaimed benefits every year, in part because of the complexity of tax filing. At the same time, it is contingent on working, meaning that those without earned income receive no benefits (Bitler et al., 2017).

It Is Time to Permanently Strengthen the U.S. Safety Net

Whether the end of the pandemic is in sight is debatable, with hospitalization and death rates more muted in areas with high vaccination rates, but with large and persistent geographic and socioeconomic disparities in vaccination rates. What is clear is that the financial hardships and health inequities that the pandemic highlighted and exacerbated are still with us. Even before the pandemic, the U.S. had the second-lowest expenditure on social benefits to families of all OECD nations (0.6 percent of GDP compared with an average of 2.1 percent overall). Now is the time to leverage the urgency of the economic fallout from the pandemic to strengthen the safety net. The lessons above suggest several possible actions that state and federal governments can take in collaboration with community organizations and other stakeholders:

1. **Make temporary COVID-19 safety net programs permanent.** The CTC and paid leave are both programs that exist in other high-income countries, acknowledging that investments in families with children help ensure their long-term health and productivity as members of society. It is time for the U.S. to catch up to its peer nations and make these and other safety net programs permanent. In the spirit of the economic impact payments, the federal government should also consider providing a source of basic income for nonworking individuals, especially during times of hardship and for those without children who are ineligible for the CTC. Nutritional assistance like P-EBT should also be expanded to provide food for children participating in school meals when school is not in session.
2. **Enhance take-up of existing programs.** Enrollment processes could be streamlined such that individuals could fill out a single application that would determine their eligibility for all safety net programs. For example, some states automatically enroll people for other programs that they are eligible for once they have signed up for a single program. Simplified materials could also be made available in a variety of languages and with assistance available in multiple modalities (e.g., online, in person).
3. **Expand and modernize UI.** The pandemic has shown that individuals are often unable to work through no fault of their own—due to anemic labor markets, employment discrimination, childcare challenges, or poor health. Moreover, the modern labor market has many workers not eligible for UI (e.g., independent contractors, part-time workers). One solution could be to have all workers pay into and be eligible for UI. Additionally, states could be incentivized to modernize outdated systems through a quality control system like that of SNAP and to enhance the automatic stabilizer role of UI by increasing the generosity or duration when unemployment rises.

The economic consequences of the COVID-19 pandemic have led many state and federal policy makers to think creatively about expanding access to the safety net and enhancing its generosity. While many of these solutions have been temporary or insufficient, the innovations have demonstrated that improvements are possible. Now is the time to address gaps in the U.S. safety net that have historically left many struggling families without the resources they need to ensure their health, well-being, and ability to participate in the economy.

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DOI

https://doi.org/10.31478/202202a

Suggested Citation

Hamad, R., K. Ruffini, M. Bitler, and J. Currie. 2022. Leveraging the Urgency of Economic Disparities Driven by the COVID-19 Pandemic to Strengthen the U.S. Safety Net. *NAM Perspectives.* Commentary, National Academy of Medicine, Washington, DC. https://doi.org/10.31478/202202a.

Author Information

Rita Hamad, MD, PhD, is an Associate Professor in the Department of Family & Community Medicine and the Institute for Health Policy Studies at UCSF, and director of the Social Policies for Health Equity Research program. **Krista Ruffini, PhD,** is an Assistant Professor at the McCourt School of Public Policy at Georgetown University. **Marianne Bitler, PhD,** is a Professor in the Department of Economics at UC Davis and a visiting scholar at the Federal Reserve Bank of Minneapolis. **Janet Currie, PhD,** is the Henry Putnam Professor of Economics and Public Affairs at Princeton University and the Director of Princeton's Center for Health and Wellbeing.

Conflict-of-Interest Disclosures

The authors disclosed receiving funding from CDC grant #5U18DP006526-03.

Correspondence

Questions or comments about this manuscript should be directed to Rita Hamad at rita.hamad@ucsf.edu.

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