

Using Cash Payments to Reduce Poverty

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A recent [Urban Institute analysis](#) projected that three provisions of the [Health and Economic Recovery Omnibus Emergency Solutions \(HEROES\) Act](#), meant to stimulate the economy and reduce material hardship in response to the COVID-19 pandemic and recession, could keep 12.2 million people out of poverty between August and December 2020. One of those three provisions, providing Economic Impact Payments (“stimulus checks”) of \$1,200 to most adults (and up to three dependents), would by itself keep a projected 8.3 million people out of poverty. But additional stimulus checks could substantially reduce projected poverty in the final five months of 2020, particularly among Black and Hispanic people. An additional direct payment would keep another 6.3 million out of poverty over that period.

Background

In prior work, we used the [Analysis of Transfers, Taxes, and Income Security](#) microsimulation model to project poverty rates for August through December 2020 with and without the new policies proposed in the HEROES Act. We used a modified definition of poverty that includes the value of SNAP and the stimulus checks; doing so produces poverty rates that are lower than if we were to use the official definition. As with this current analysis, we projected poverty rates by comparing the resources a family is expected to receive in the final five months of the year with five-twelfths of that family’s annual poverty level.

We considered three provisions in the HEROES Act: (1) providing an Economic Impact Payment of \$1,200 per adult and up to three dependents (including those people using Individual Taxpayer Identification Numbers, a group that includes unauthorized immigrants and temporary residents), (2) extending and temporarily increasing unemployment insurance benefits, and (3) temporarily increasing benefits from the Supplemental Nutrition Assistance Program (formerly known as food stamps) for many recipients. Here we consider the additional potential antipoverty impact of providing two economic stimulus checks in August to December rather than one.

Additional cash payments approximate [proposals](#) to provide larger, sustained monetary support to families during the economic crisis spawned by the COVID-19 pandemic.

Findings

We project that a second stimulus check equal to the one proposed in the HEROES Act would prevent an additional 6.3 million people from being poor, including 1.1 million people living in families that experienced pandemic-related job losses. Combining the additional stimulus check with the three key provisions of the HEROES Act cuts the projected poverty rates in half for Black, non-Hispanic people and for Hispanic people over the final five months of 2020. The combined effects of the three provisions plus the additional stimulus check reduce the projected poverty rate 60 percent among Black people living in families affected by job losses.

TABLE 1

Reduction in Number of People in Poverty, August through December 2020, from Selected Policies Proposed in the HEROES Act and an Additional Economic Impact Payment, by Race and Ethnicity

	ALL PEOPLE			PEOPLE IN HOUSEHOLDS WITH JOB LOSS		
	Projected number in poverty, current policies only	Reduction in Number of People below Poverty from Each Policy (millions)		Projected number in poverty, current policies only	Reduction in Number of People below Poverty from Each Policy (millions)	
		HEROES ACT policies	HEROES Act + additional EIP		HEROES ACT policies	HEROES Act + additional EIP
National	38.062	12.158	18.428	10.579	4.500	5.586
White non-Hispanic	16.747	4.940	7.579	4.383	1.768	2.162
Black non-Hispanic	7.445	2.393	3.777	1.605	0.808	0.970
Hispanic	10.256	3.706	5.448	3.585	1.489	1.929
AAPI non-Hispanic	1.969	0.560	0.797	0.565	0.230	0.279

Source: Urban Institute projections as of August 5, 2020, using the Analysis of Transfers, Taxes, and Income Security model.

Notes: AAPI = Asian American and Pacific Islander; EIP = Economic Impact Payment. Non-Hispanic people who do not identify as white, Black, or AAPI, or who identify with multiple races, are included in the total but not shown separately because of sample size limitations. Our measure of poverty for August to December defines family resources as cash income plus the value of Supplemental Nutrition Assistance Program benefits and the value of the stimulus projected to be received between August and December and compares that amount with five-twelfths of the annual poverty level. Earnings, benefits, and stimulus checks received between January and July are not included in August–December resources.

TABLE 2

Projected Poverty Rate in August through December 2020, with and without Selected Policies Proposed in the HEROES Act and an Additional Economic Impact Payment, by Race and Ethnicity

	Current policies only	Current and HEROES Act policies	Current and HEROES Act policies + additional EIP	Percentage change due to HEROES Act policies + additional EIP
All people				
National	11.9%	8.1%	6.2%	-48%
White non-Hispanic	8.7%	6.1%	4.8%	-45%
Black non-Hispanic	19.3%	13.1%	9.5%	-51%
Hispanic	17.5%	11.2%	8.2%	-53%
AAPI non-Hispanic	10.8%	7.7%	6.4%	-40%
People in households with job loss				
National	15.6%	9.0%	7.4%	-53%
White non-Hispanic	12.2%	7.3%	6.2%	-49%
Black non-Hispanic	20.4%	10.1%	8.1%	-60%
Hispanic	20.6%	12.0%	9.5%	-54%
AAPI non-Hispanic	14.3%	8.5%	7.2%	-50%

Source: Urban Institute projections as of August 5, 2020, using the Analysis of Transfers, Taxes, and Income Security model.

Notes: AAPI = Asian American and Pacific Islander; EIP = Economic Impact Payment. Non-Hispanic people who do not identify as white, Black, or AAPI, or who identify with multiple races, are included in the total but not shown separately because of sample size limitations. Our measure of poverty for August to December defines family resources as cash income plus the value of Supplemental Nutrition Assistance Program benefits and the value of the stimulus projected to be received between August and December and compares that amount with five-twelfths of the annual poverty level. Earnings, benefits, and stimulus checks received between January and July are not included in August–December resources. The percentage reduction in poverty is relative to projections based on current policies only (column 1).

Providing substantial cash assistance to struggling families will lift many people above the poverty level. A qualifying married couple with three children would receive a HEROES Act stimulus check of \$6,000 for August to December; a second payment would increase this to \$12,000. Those two payments alone bring the family to within \$800 of the five-month poverty level. Notably, married couples will not see their payments begin to phase out until their incomes exceed \$150,000 under this proposal. As with all policy proposals, the benefits need to be weighed against the costs, and policymakers should consider how the proposals may influence decisions about work and family as well as people's sense of autonomy, personal efficacy, and position in the community.