One more check is not enough: Americans need ongoing cash alongside UI

Extending UI is essential – but UI can’t do the job alone, reaching only a fraction of those struggling and Black workers least of all. We need more direct checks to help everyone make it through the jobs & income crisis.

- 77 million adults are not working and not retired, but fewer than 19 million are receiving UI (using the latest May data).
- Black people face higher unemployment rates, yet the rate of jobless Black women and men actually receiving UI is less than half that of white men.

In the next round of relief, Congress must use all available tools including regular direct payments.

- 150 economists urge ongoing additional cash payments in any crisis response.
- A third of families can’t make housing payments and a quarter lack enough food.

One more check is not enough: This crisis will continue, so we need to protect people into 2021 while Congress goes home to run for reelection.

- Low-income families spent nearly half their initial stimulus checks in the first 10 days.

July 24, 2020
WE NEED ALL THE TOOLS, INCLUDING CASH

No single policy is enough to help people and businesses weather the crisis: we need an all-of-the-above approach. The economic crisis is deepening at a rapid pace: at least 50 million Americans have filed for unemployment – with higher unemployment rates for Black and Latinx workers – and projections are that the economic fallout could span several years. It’s clear at this point that we need all the tools at our disposal to help Americans get back on their feet and power an even and robust recovery once it’s safe for businesses to reopen. Additional policy responses must include a broad range of relief, such as more state and local aid, expanded unemployment benefits, a stronger safety net, and direct payments lasting until the economy recovers.

Recurring direct payments are a critical tool that will help Americans navigate the gradual recovery from this crisis. In places where reopening is slow or paused, recurring direct payments can help those with fewer resources make ends meet through the worst of the crisis. Where businesses are reopening, increasing demand through an income boost to low- and moderate-income households will help spur a recovery.

One more check is not enough. The CARES Act payments lasted weeks. With evictions looming and Congress leaving town, multiple payments will be a crucial lifeline into 2021. More than 150 top economists agree the next relief package must include direct cash payments, lasting until the economy recovers.

DIRECT CASH PAYMENTS WORK

The direct payments in the CARES Act:

- **Delivered relief quickly.** IRS delivered money to 160 million households within a matter of weeks. Next time, it could take just a matter of days.
- **Were an essential complement to unemployment insurance.** By the end of May, only 57% of unemployment claims had been paid out, reaching only 19 million out of 33 million unemployed people, and the direct payments had put nearly twice as much money into people’s pockets as federal unemployment insurance (UI) benefits.
- **Helped families in need keep their heads above water.** As intended, the payments helped families facing a wide variety of barriers. People spent cash payments quickly and on essentials, like housing, utilities, and groceries. Families with the least spent nearly half of their stimulus checks in the first 10 days.
- **Capped spikes in poverty.** Researchers point to direct payments as a central reason the CARES Act is preventing near-inevitable spikes in poverty.
- **Stimulated spending at all income levels, even as the economy was largely closed.** After receiving direct payments, low-income households increased spending significantly – by 26 percentage points – and even high-income households increased spending by 9 points.
CASH & UNEMPLOYMENT BENEFITS ARE BOTH NEEDED TO ADDRESS THE INCOME AND JOBS CRISIS

Solutions focused only on employment and wages leave too many people out. Expanded UI benefits are helping many and absolutely must be extended, but they aren’t getting enough help to everybody who needs it – particularly the Black and Latinx families who have been hit the hardest by this crisis.

Jobs and income are disappearing permanently. Recent estimates are that up to 42% of recent layoffs could become permanent. Many who have managed to keep their jobs are seeing pay cuts or freezes: Employers are cutting the wages of 11% of employees (about twice as many as the Great Recession) and skipping raises for others. By May, American workers had lost $1.3 trillion in income, an average of $8,900 per worker.

One in three adults are out of work and not retired, but only a fraction are receiving unemployment. Half of American adults – 124 million – live in a household that has lost employment income since March. About 30% of adults – 77 million – weren’t working or retired. But at the end of May, although nearly 50 million workers had filed unemployment claims, with 33 million active claims, only 57% – fewer than 19 million – of them were actually receiving benefits. Survey data show that a large portion of the jobless aren’t able to apply at all. Plus, there are huge race and gender disparities when it comes to getting UI benefits. Federal Reserve data from early June show:

△ Unemployed white men are twice as likely to receive benefits compared to unemployed Black workers. Black workers face higher unemployment, yet unemployed white men received benefits at twice the rate (26%) as Black men (12%) and women (13%).

△ Jobless Black men and women are less likely than others to apply. Only 30% of unemployed Black women and 37% of unemployed Black men had applied for benefits during the survey period. This is likely due in part to well-documented difficulty accessing the system, particularly in certain states.

AMERICANS NEED ONGOING PAYMENTS UNTIL THE CRISIS IS OVER

Cash helps at every stage of the recovery. During the worst of the pandemic, direct payments have helped families make ends meet, with outsize positive impacts in many communities of color. Research from the current and past recessions confirms that when it's time to re-open the economy, low- and middle-income families will spend the money and drive the economic recovery.

In uncertain times, cash does the most good for the most people. One more check is not enough to get most Americans through this crisis. Job losses and school closures mean people now have many expenses they didn’t have before and not enough money to pay for the basics. Experts estimate that 27 million people (including children) have lost employer-sponsored health insurance. For the third straight month, at least 30% of renters and homeowners couldn’t make their full rent or mortgage payment on time. Almost one in four families don’t have enough food, nearly tripling pre-crisis food-insecurity rates.

The data show clearly that Americans’ financial struggles are growing as the crisis wears on. Families need multiple, ongoing cash payments to weather the length of this recession and get back on their feet. According to the Tax Policy Center, “The best way government can help with these diverse needs is with cash,” to “fill in remaining gaps” as families struggle to patch together help from other programs.
Direct payments can be a powerful automatic stabilizer. Many have already spent their one-time payments of $1,200 – primarily on necessities like shelter and food. With boosted unemployment benefits set to expire at the end of July and temporary eviction bans ending, Americans will need more help. Recurring direct cash payments continuing until Americans are back on their feet will increase confidence, drive consumer spending, and hasten the recovery.