

ASSESSING THE [FIRST] ECONOMIC IMPACT PAYMENT IN THE OLDER POPULATION USING HRS

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THE FIRST ECONOMIC IMPACT PAYMENT

- Authorized in CARES Act of March, 2020
- Payments began in mid-April
- \$1200 per individual with income up to \$75,000, dropping to zero at \$99,000
- All amounts double for married couples
- \$500 per eligible child

SSA AND THE ECONOMIC IMPACT PAYMENT

- The money for stimulus payments comes from the IRS, not from SSA trust funds
- SSA was asked to distribute IRS funds to SSA beneficiaries
- Because they're good at it

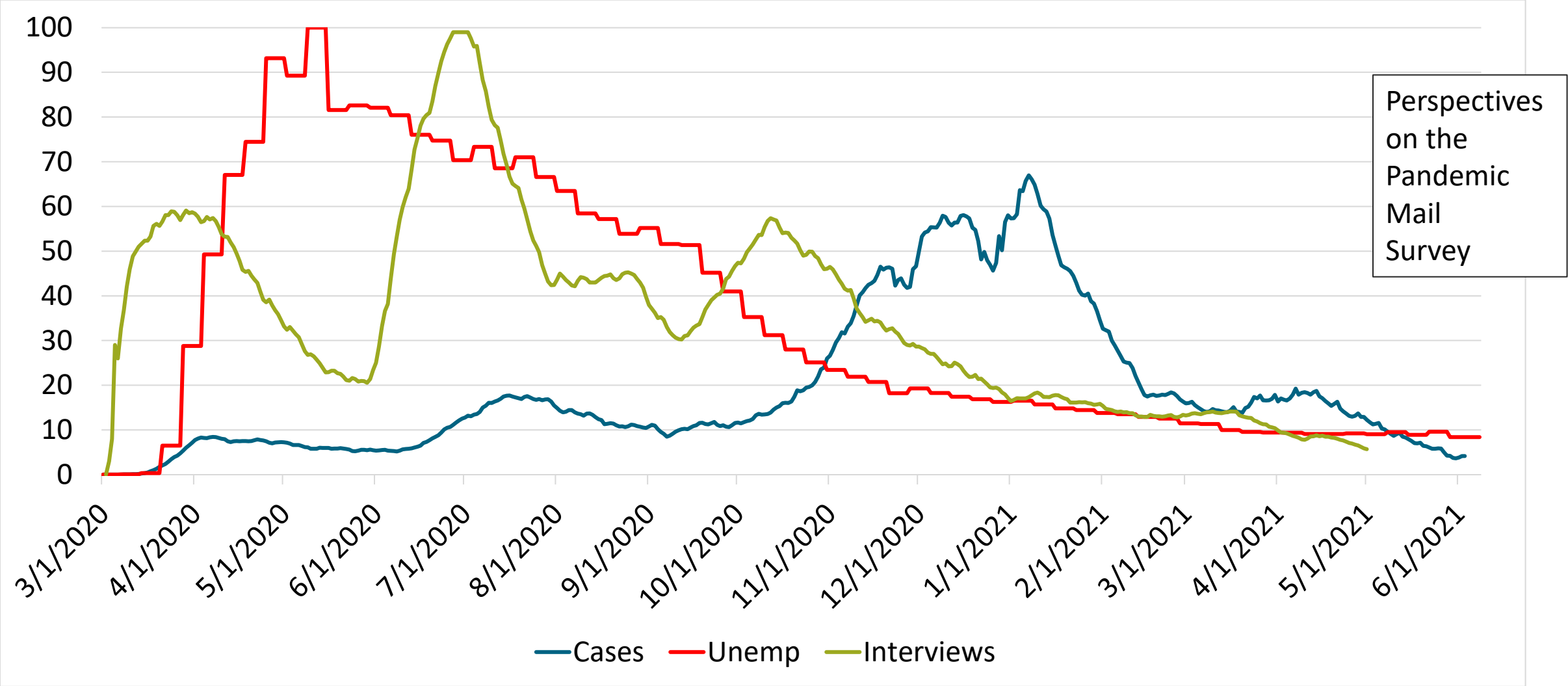
Anderson, Drew M., Alexander Strand, and J. Michael Collins. "The impact of electronic payments for vulnerable consumers: Evidence from social security." *Journal of Consumer Affairs* 52, no. 1 (2018): 35-60.



HRS 2020 AND COVID-19

- Interviewer training took place the last two weeks of February, 2020
- Our first interview for 2020 was completed on March 3.
- Each wave, HRS assigns half the sample to in-person and the other half to telephone (or web)
- In-person sample had not been released when in-person research was banned on March 13
- We continued telephone interviews and held the in-person sample
- Designed, programmed, tested, and implemented a COVID module for the core HRS for launch in late May.
- Released half of the in-person sample at the same time (so a random one-quarter of HRS)
- Data from that sample, with preliminary weights, was released in November while we were still in the field collecting data
- <https://hrs.isr.umich.edu/data-products/covid-19>

HRS INTERVIEWS SPREAD ACROSS THE PANDEMIC



HRS AND THE ECONOMIC IMPACT PAYMENT

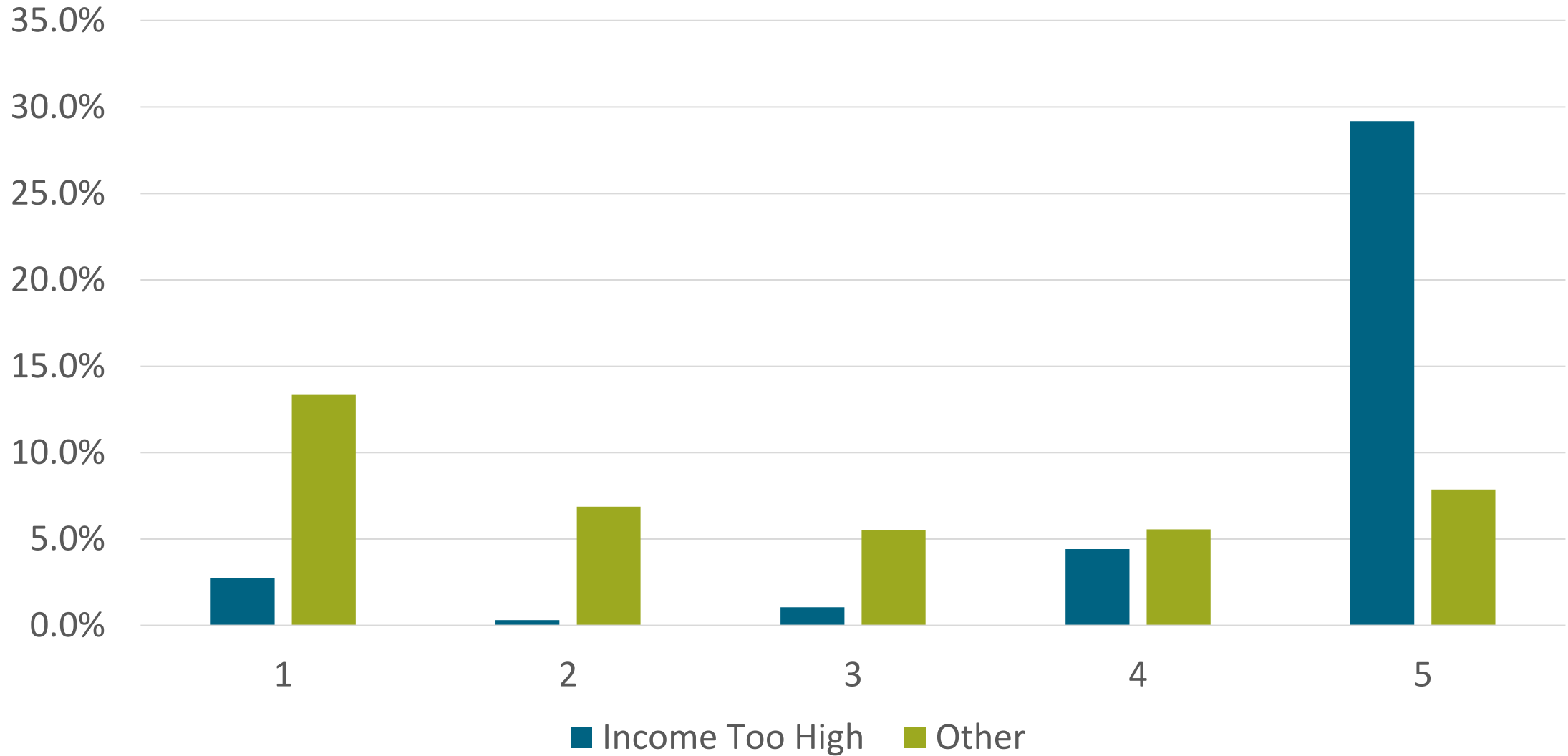
- To facilitate comparison with other stimulus episodes, we used questions previously designed by Matthew Shapiro and Joel Slemrod for the 2001 and 2008 stimulus payments and included again in 2020 on the Michigan Survey of Consumers for all ages (that comparison is not yet available)
 - Because of the coronavirus crisis, many families will receive an economic impact payment of up to twelve hundred dollars for individuals, twenty-four hundred dollars for couples, and five hundred dollars for each dependent child.
 - Have you [and your spouse/partner] received this payment?
 - Thinking about your [AND YOUR SPOUSE'S] financial situation this year, will the payment lead you mostly to increase spending, mostly to increase saving, mostly to pay off debt, or what?

Shapiro, Matthew D., and Joel Slemrod (2009) “Did the 2008 Tax Rebates Stimulate Spending?” *American Economic Review: Papers and Proceedings*, 99(2): 374–379.

DISBURSEMENT

- Overall, 84% of (weighted) households said they had already received (80%) or expected to receive (4%) the EIP
- Another 8.2 % said they didn't expect to because their income was too high, and 7.8% said they didn't get it for other reasons

PERCENT NOT RECEIVING EIP, BY INCOME QUINTILE AND STATED REASON



PERCENT NOT RECEIVING EIP FOR “OTHER” REASONS, BY RACE/ETHNICITY AND WHETHER OR NOT RECEIVING SS BENEFITS

Race/ethnicity	No SS Bens	SS Receipt	All
White	6.2%	6.7%	6.5%
Black	10.7%	7.1%	8.5%
Hispanic	19.7%	9.9%	15.5%
Total	8.8%	7.0%	7.7%

DISBURSEMENT SUMMARY

- Social Security beneficiaries appeared to have better awareness and fewer problems than others
- Hispanics apparently were less likely to get the EIP even when income-eligible, possibly due to legal status issues
- More can be done when linked SSA administrative records with payment information becomes available
 - In particular, it would be useful to know if low-income eligibles actually did receive the payment

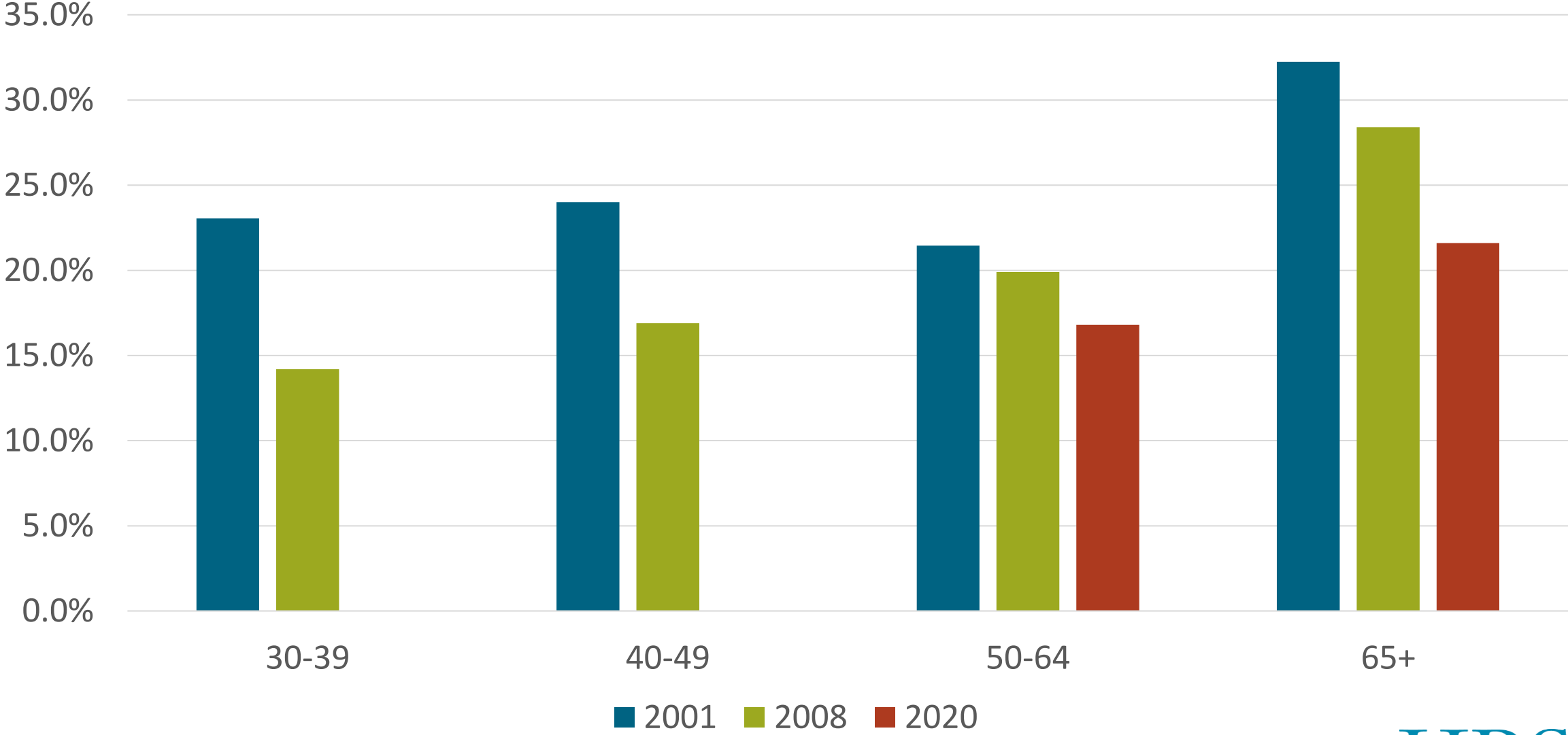
DID THE EIP STIMULATE SPENDING?

Thinking about your [AND YOUR SPOUSE'S] financial situation this year, will the payment lead you mostly to increase spending, mostly to increase saving, mostly to pay off debt, or what?

About 8% went with “or what” and gave long answers that had to be coded.

“We were on the last cruises that sailed; only 1 person got it; but no one that we know of got sick! We go on a cruise every year anyway - and so no increased spending other than normal.”

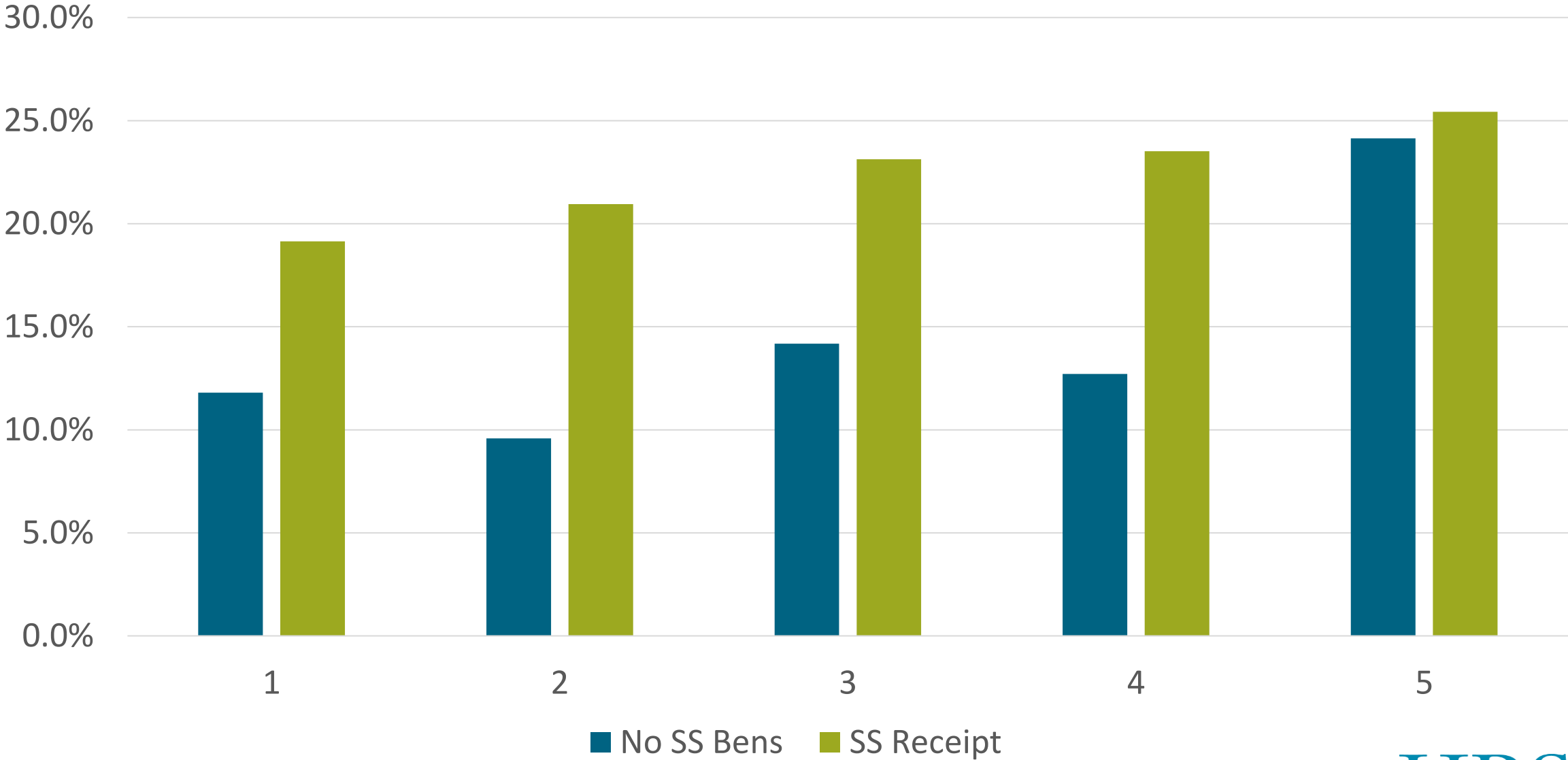
PERCENT MOSTLY SPENDING THE STIMULUS PAYMENT, BY AGE, 2020 COMPARED WITH 2001 AND 2008



WAS THE LOW SPENDING RATE RELATED TO PANDEMIC SHUTDOWNS?

- Many consumption opportunities (e.g., travel) were closed down so we can't rule it out in general
- We don't see any effects in regional variation
- Geographic variation in shutdowns was fairly limited in June and July of 2020 (most places reopened most businesses)
- States that reopened later showed no difference in spending rate compared to states that reopened earlier
- States that had mask mandates showed no difference in spending compared to states without

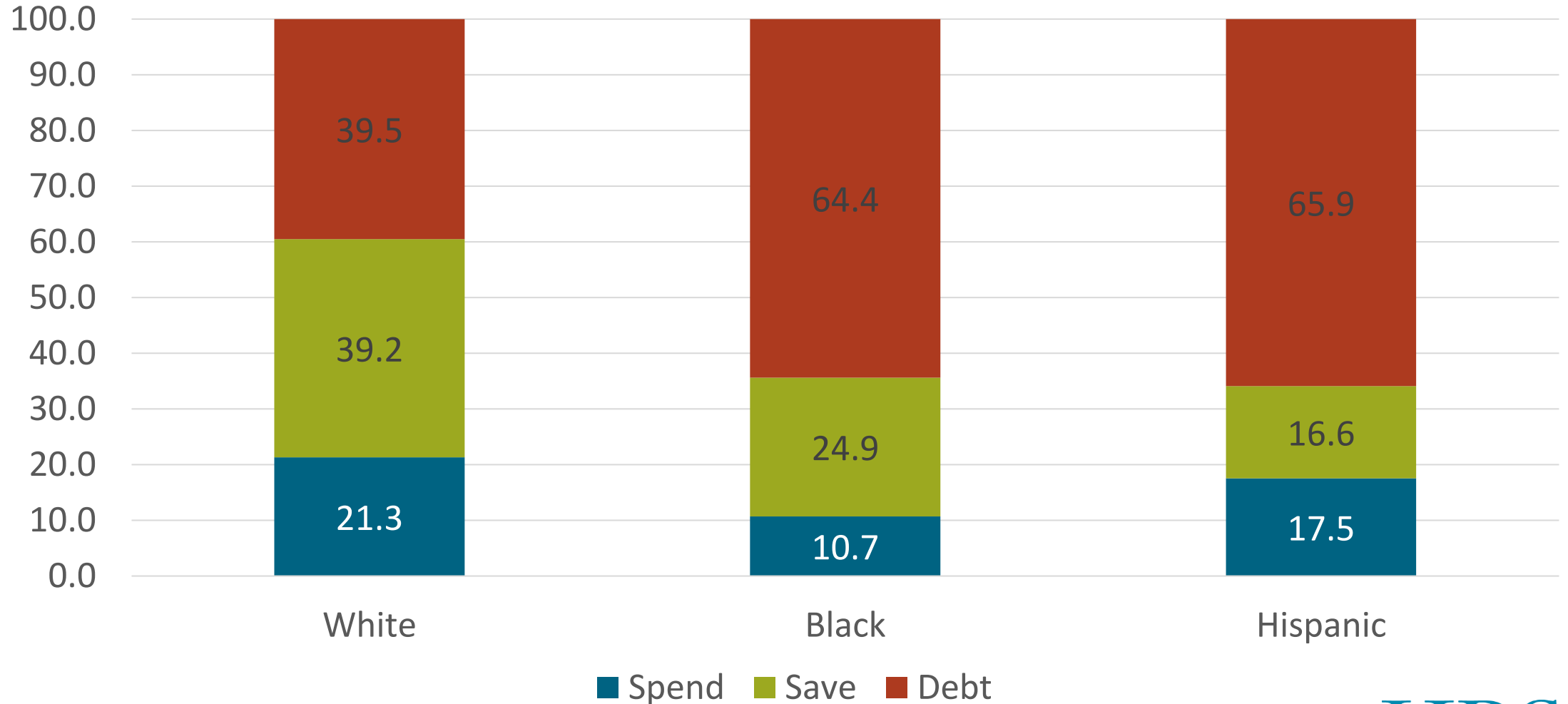
PERCENT MOSTLY SPENDING THE STIMULUS PAYMENT, BY INCOME QUINTILE AND WHETHER OR NOT RECEIVING SS BENEFITS



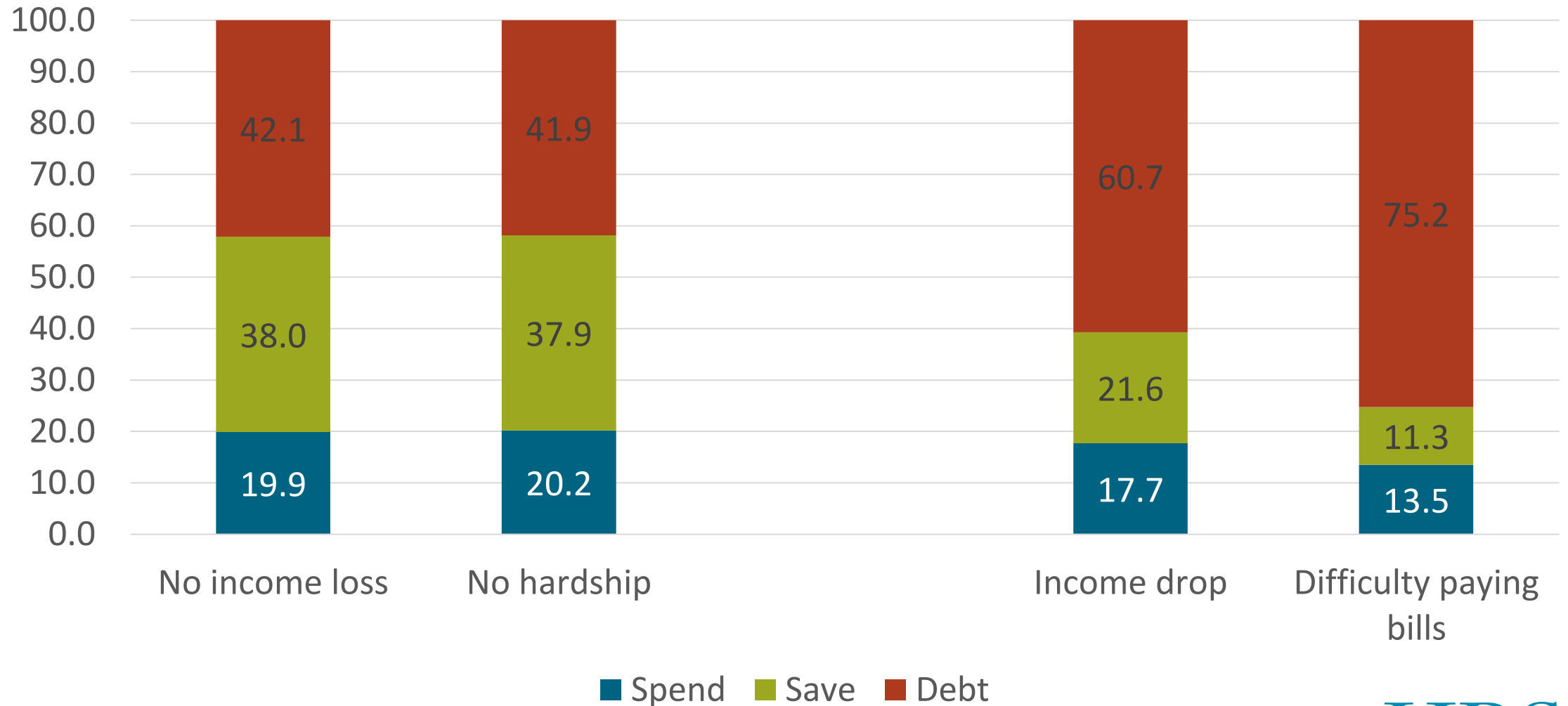
**PERCENT MOSTLY SPENDING THE EIP,
BY RACE/ETHNICITY AND WHETHER OR NOT RECEIVING SS BENEFITS**

Race/ethnicity	No SS Bens	SS Receipt	All
White	17.8%	23.3%	21.3%
Black	7.3%	12.7%	10.7%
Hispanic	11.2%	24.8%	17.5%
Total	15.5%	22.0%	19.5%

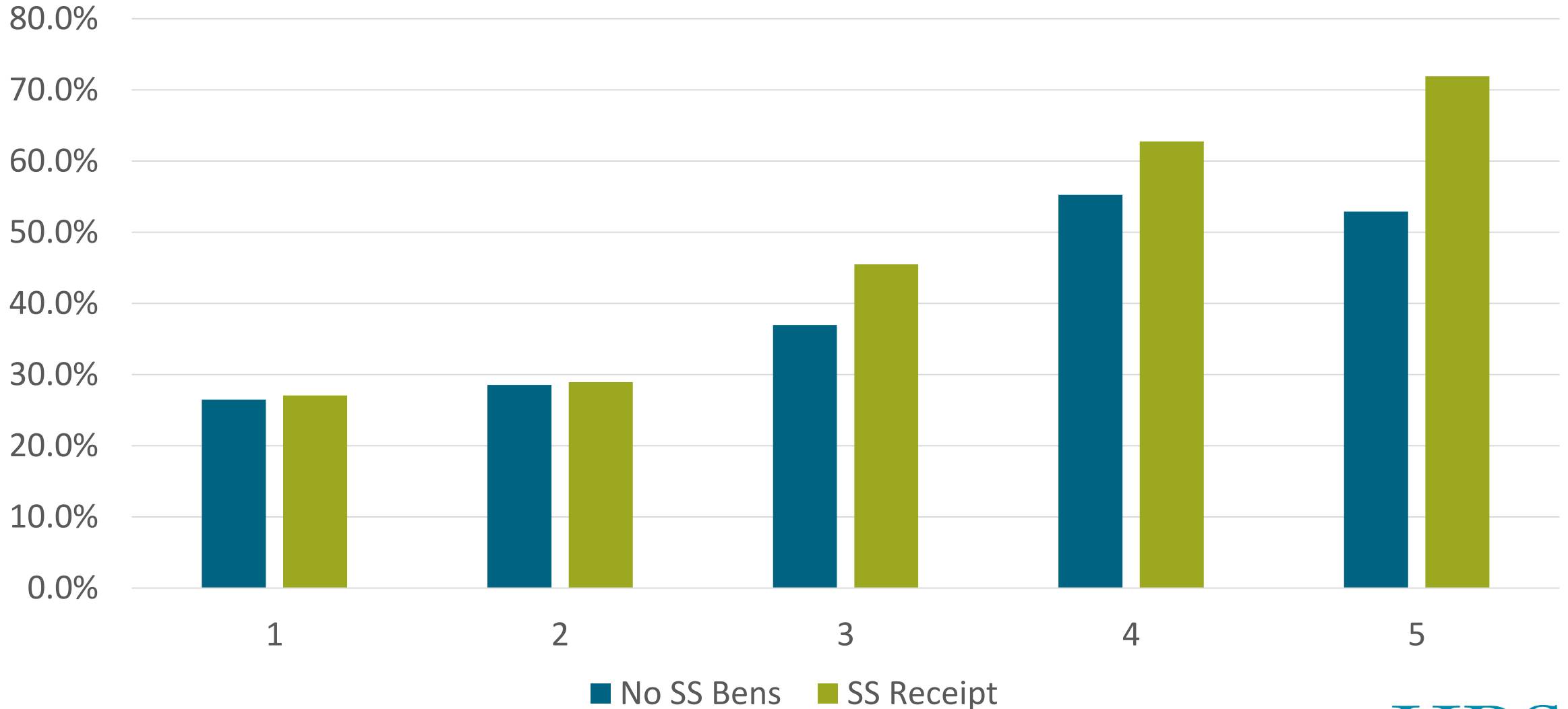
DISPOSITION OF EIP BY RACE/ETHNICITY



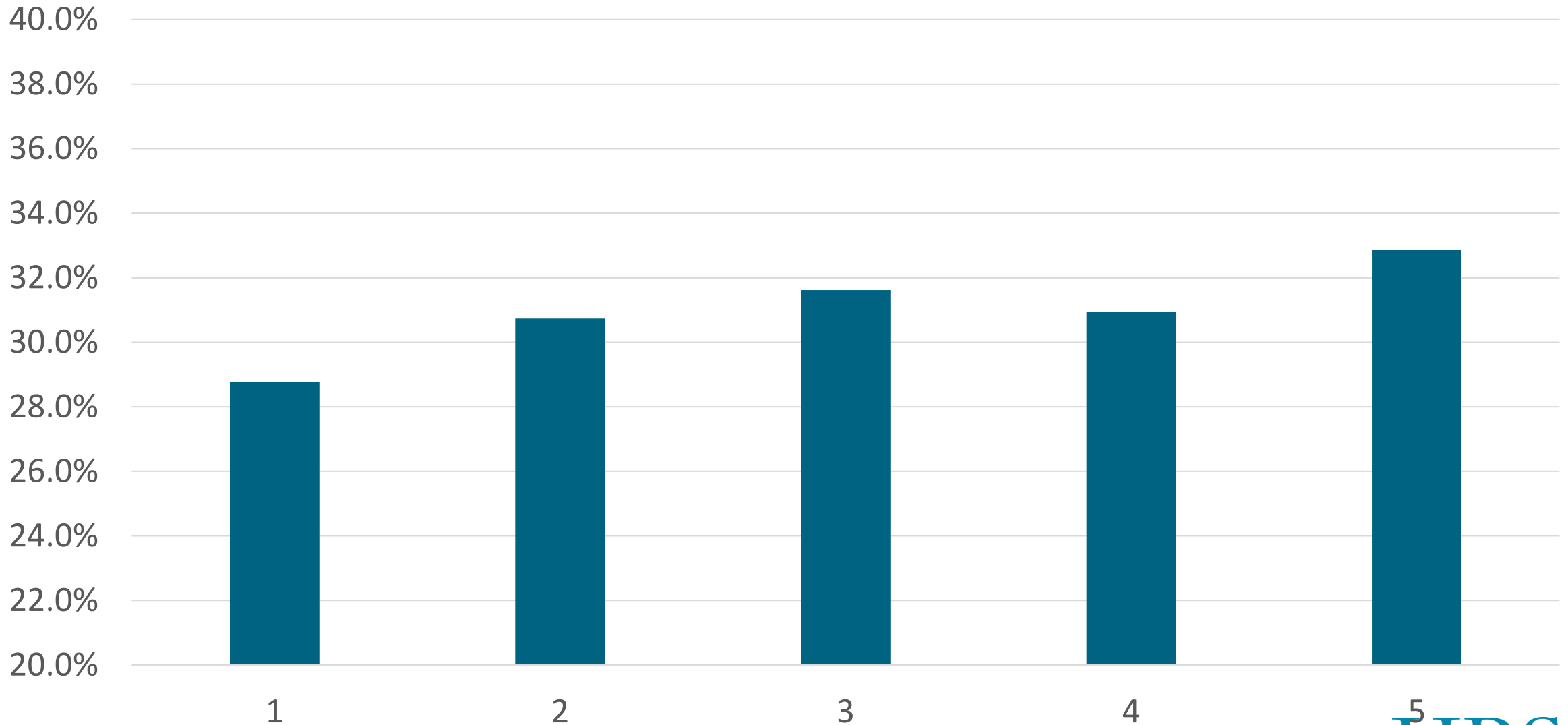
DISPOSITION OF EIP BY ECONOMIC HARDSHIP DUE TO PANDEMIC



PERCENT MOSTLY SAVING EIP, AMONG THOSE NOT MOSTLY SPENDING, BY WEALTH QUINTILE AND WHETHER OR NOT RECEIVING SS BENEFITS



PERCENT GIVING ANY OF THE EIP TO CHARITY OR FRIENDS OR FAMILY, BY INCOME QUINTILE



CONCLUSIONS

- The first Economic Impact Payment in Spring of 2020 had the lowest impact on spending of any recent stimulus
- Social Security beneficiaries were more likely to spend than others with similar incomes, perhaps because of confidence in income from Social Security
- Persons of color, those experiencing hardship due to the pandemic, and those of low net worth were most likely to use the EIP to reduce debt
- For those with high net worth the EIP mainly augmented their savings

THANK YOU !

<https://hrs.isr.umich.edu/about>

<https://hrs.isr.umich.edu/data-products/covid-19>

