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Abstract
We use data collected by the Health and Retirement Study in its 2020 wave to study awareness and the impact of the Economic Impact Payment stimulus on different groups of older Americans during the coronavirus pandemic.

Citation

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Introduction

The coronavirus pandemic has been the greatest threat to the health and well-being of the older population in at least a century. In its early stages, before vaccines or treatments, and before the transmission was fully understood, there was particular concern that the health care system could be overwhelmed, making it impossible not only to handle the volume of COVID-19 cases but to provide other needed care as well. This led to mitigation policies aimed at blocking the spread of the disease. The economic consequences of public health mitigation policies were also of serious concern and, in turn, prompted other policies to offset the impact of public health measures. This project proposes to study one part of the policy response. The Economic Impact Payment (EIP) was authorized as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in late March 2020.\(^1\) It provided for a direct stimulus payment to individuals, similar to stimulus programs in previous economic downturns in 2001 and 2008.

Figure 1 shows the schedule of stimulus payments for a single individual by adjusted gross income. Income reported in the 2019 tax return was used; if not available, the 2018 tax year was used. For married couples filing jointly, all amounts are doubled. Payments were reduced for incomes above $75,000 ($150,000 for couples filing jointly). No payments were made to individuals whose income exceeds $99,000

\(^1\) Subsequent EIPs were issued in December 2020/January 2021 and March 2021. This research covers only the first payment and its impacts.
($198,000 for couples filing jointly). Based on Health and Retirement Study 2016 data, approximately 10% of people 65 and older might be excluded because of income.

Several conditions apply specifically to Social Security beneficiaries. First, for those beneficiaries who are not required to file a tax return, the full EIP ($1,200) was to be paid automatically. This contrasts with treatment of nonfilers who are not Social Security beneficiaries. Second, the EIP was dispersed to Social Security beneficiaries in the same way as their Social Security benefits. Direct bank deposits were made to those who receive their benefits in that way, which is now 99% of retiree and disability benefits. This allowed for rapid and complete disbursement of the payments to beneficiaries. Whether people recognized the incremental payment and how they reacted to it are our questions of interest.

Previous research on tax rebates in 2001 and 2008 can help design a suitable research strategy. In both instances, the federal government sent a fixed amount of payment to households via direct deposit of checks, and eligibility was very wide. Shapiro and Slemrod (2009) summarizes the findings of several papers assessing those rebates’ effects. Despite the differences in economic circumstances and methods used by the several papers, they find similar immediate responses, with a marginal propensity to spend of 0.3 averaged across the eligible population. Some of the papers find additional delayed increases in spending, but those estimates tend to be imprecise and less cleanly identified.

Two of the papers use simple survey questions, asking what people did with the money they received. The other papers analyzed aggregate data, detailed expenditures

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2 See https://www.ssa.gov/deposit/trendenv.shtml
data from the Consumer Expenditures Survey, or credit card transaction data. The fact that the results are similar across the various methods supports the validity of each method, and the simple survey questions in particular. In addition, when analyzing the data from several months in 2008, Shapiro and Slemrod (2009) found that the results were very similar if they used people’s responses to what they would do with the money (elicited before they received the payment) and their responses to what they did with the money (elicited afterward).

**Data**

The Health and Retirement Study (HRS) began its 2020 wave of data collection at the beginning of March. A key feature of the HRS design is the half-sample rotation between in-person and telephone interviewing, in which a randomly assigned half of households gets in-person interviews each wave and, over time, each household alternates between in-person and telephone. The designated in-person sample for the 2020 wave was not initially released for interviews and, as of March 13, all in-person contact was suspended. Due to uncertainty about whether and when in-person activity might resume, the HRS withheld the in-person half-sample. It then became apparent that the pandemic itself was an important topic to study in 2020, and the withheld sample offered the opportunity to do so with representative random subsamples. At the same time, continuing the core panel content of HRS in its 15th wave remained a priority. Therefore, the HRS worked on creating new content that could be added to the core survey.

To capture the impact of the virus, the policy responses to mitigate its spread, and the policy responses to offset the economic impact of the mitigation policies, the
HRS designed a compact module of questions to be added to the core interview. These included questions on the disease; its effects on health care, work, income, and spending; changes in family exchanges of time and money, and the receipt of the EIP. The double constraint of short development time and short survey time limited the number of questions and the depth with which topics could be pursued.

In late May, a random half of the in-person sample of HRS (so a random quarter sample of the whole of HRS) was released for telephone contact. A total of 5,647 lines were released, of which 456 were subsequently determined to be deceased, leaving 5,191 survivors. By the first week in October a total of 3,266 interviews had been completed (62.9%). Because of the value of these early COVID-19 data, the HRS took the unprecedented step of releasing this partial sample while the current wave was still in the field. Preliminary sampling weights were created to accompany the release, adjusting for determinants of nonresponse and post-stratifying to the demographic structure of the American Community Survey. All these cases are now part of the HRS 2020 early release, but we use the preliminary sampling weights in this paper.

We verified that this subsample was indeed representative of the whole of HRS. Table 1 compares the partial sample to the remainder of HRS 2020 on demographic, health, and economic characteristics. There were no significant differences on race/ethnicity, education, health status, income, or wealth (the latter two were taken from 2018 which is the most recent year for which RAND imputations are available). The partial sample was about 2 percentage points less likely to be working for pay, but this difference was not statistically significant.
The added module of COVID-19 content included several questions about the EIP. First we asked about receipt:

“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?”

For those who said yes, we asked whether it was direct deposit and how much it was. For those who said no, we asked if they expected to receive it. If they said they did not, we asked why not. For all those who had received or expected to receive the EIP we asked the Slemrod-Shapiro question about what they did with the money:

“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?”

Receipt of the EIP

Most people said they had received the payment. 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 receive it because their income was too high, and 7.8% said they didn’t get it for other reasons. Nonreceipt by income level and stated reason is shown in Figure 2. Most of those who said their income was too high were, indeed, in the upper quintile of income. Other reasons were distributed more evenly across the income distribution and most common in the lowest quintile. We explore this
issue further in Table 2 where we show rates of nonreceipt by race/ethnicity and receipt of Social Security. Social Security beneficiaries were less likely to say they did not receive the payment. This could be because of the efficacy of the direct deposit by Social Security for these households. Hispanics were much more likely than others to say they did not receive the payment for reasons other than income. Questions about eligibility and legal status are likely important here. Hispanics not receiving Social Security are likely to have greater uncertainty about eligibility and, if they had to request the payment, might not have done so because of this uncertainty. Poor memory may also be a factor in some of the reports of nonreceipt not attributable to high income. Controlling for race/ethnicity and receipt of Social Security benefits, a low score on the HRS memory task was associated with about a 6 percentage point increase in reporting nonreceipt for other reasons.

Disposition of the EIP and comparison to other stimulus programs

The goal of fiscal stimulus programs is to raise consumption spending to stimulate economic activity. The rationale for the first EIP in 2020 was to counter the very high rates of unemployment seen at the beginning of the pandemic as businesses closed. Overall, 20% of HRS respondents said they would mostly spend the payment. In prior stimulus programs older households were more likely to spend than younger ones, so we want to control for age in comparing 2020 to prior programs.

Figure 3 compares spending rates by age in 2020 to rates in 2001 and 2008. The fraction mostly spending the EIP was lower than in earlier programs by five or more percentage points. Older (65+) households were more likely to spend than younger ones in all years.
Uncertainty about income is likely to be a contributing factor to a desire to save the stimulus payment. The higher propensity to spend at older ages may therefore be linked to the availability of reliable Social Security income. Figure 4 shows spending rates by income quintile and whether or not some of the income comes from Social Security. Spending rates increase with income and are substantially higher for Social Security beneficiaries. Table 3 shows percent mostly spending the payment by race/ethnicity and Social Security receipt. Again we see that Social Security income raises the likelihood of spending the stimulus, and particularly so for Hispanics. Overall, blacks had lower propensities to spend.

The most plausible explanation for the low willingness to spend the EIP is the combination of anxiety about the future created by the new pandemic and the limited options for consumption spending due to shutdowns and other policy measures. There was great regional variation in the COVID-19’s spread and also regional variation in mitigation policies. We found a modest association of willingness to spend with the burden of disease. We matched HRS respondents to the cumulative number of cases per capita in their county of residence as of July 31, 2020, based on data in the New York Times database. The third of respondents in counties with the lowest case counts were significantly more likely to say they would mostly spend the EIP, compared with those in the middle or upper third (24.7% versus 16.9%, t=2.91). There was little difference between the middle and upper third (see Figure 5). We also attempted to relate willingness to spend to state-level policy variation in the durations of business closures, but found no relationship.
While spending is the goal of fiscal stimulus, it is also of interest to examine patterns in whether the payment was saved or used to reduce debt. Figure 5 shows the disposition of the payment by race and ethnicity. Whites were more likely to spend and equally divided between saving and reducing debt if they did not mostly spend. Blacks and Hispanics had lower spending rates and much lower rates of saving — close to two-thirds of both groups said they would mostly use it to reduce debt. Similar patterns emerge by economic hardship (see Figure 7). Households who reported no economic hardship due to the pandemic were more likely to spend and more likely to save if they did not spend. Households who did report economic hardship were less likely to spend the stimulus and more likely to use it to reduce debt.

Not surprisingly, wealth was a major determinant of whether the payment was saved rather than used for debt reduction. Figure 8 shows this pattern and shows that there was little difference between Social Security beneficiaries and those who were not.

Discussion

The extraordinary circumstances in which the EIP was administered bring to light some limitations of the Shapiro-Slemrod questions on the impact of government stimulus payments. One that we wish we had anticipated is the role of labor supply. The questions seek to determine whether the net effect of the added income will be mostly to raise spending above what it otherwise would have been, lower debt below what it otherwise would have been, or increase savings above what it otherwise would have been. But fear of contagion made work less attractive to many workers, particularly those in public-facing jobs. An income subsidy might very well have
subsidized time off of work, with no change to the household balance sheet or consumption. Indeed, the unemployment benefits provided at the same time as the EIP had just that effect. A follow-up question asking whether the EIP would affect labor supply would have been very useful.

A second limitation that we did anticipate is family (and other) transfers. Older people routinely give money to their children and grandchildren and the HRS gathers this data. It seemed plausible to us, for example, that an older couple with a stable income might give their stimulus money to a child put out of work. Again, this would not affect the household balance sheet or consumption. If someone said they would give the money away in response to the initial Shapiro-Slemrod disposition question we coded that response separately but counted it as “mostly spend” in our analysis (about 2% of households did this). More importantly, we included a follow-up question about transfers: “Did you give any of the money to charity or to friends or family?” Figure 9 shows the percentage who said they would give any money to others, by income quintile. There is a slight income gradient from about one in four households in the lowest quintile to about one in three in the highest quintile. There was not a strong pattern of association with other characteristics of the HRS households, suggesting that perhaps the recipient’s need was the more important determinant.

Finally, the stem question about whether the money would “mostly” increase spending, reduce debt, or add to savings does not give much information about the distribution of spending rates across the population. A follow-up sequence to ask if any of it would increase spending, and by how much, would greatly improve the precision of the estimated impact on consumer spending.
Conclusion

The first Economic Impact Payment in Spring 2020 had the lowest impact on spending of any recent stimulus. Social Security beneficiaries were more likely to report receipt, suggesting that distributing the payment through the Social Security disbursement system was an effective method. Social Security beneficiaries were more likely to spend the payment than others with similar incomes, perhaps because of confidence in Social Security income. 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. Over a quarter of older households gave at least some of the payment to family members or charities.
References

Coronavirus Aid, Relief, and Economic Security Act, H.R. 748, 116th Congress (2020)

Internal Revenue Service, “Calculating the Economic Impact Payment.”
(accessed 1/29/2023)

Shapiro, Matthew D., and Joel Slemrod (2009) “Did the 2008 Tax Rebates Stimulate

Social Security Administration, “Direct Deposit Information/Map and Reports.”

(accessed 1/29/2023)
Tables and figures

Table 1: Characteristics of the special release sample compared to the rest of HRS 2020

<table>
<thead>
<tr>
<th></th>
<th>Rest of HRS</th>
<th>Special release</th>
<th>t-stat</th>
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<tbody>
<tr>
<td>Black</td>
<td>10.6%</td>
<td>11.1%</td>
<td>0.63</td>
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<tr>
<td>Hispanic</td>
<td>10.4%</td>
<td>10.4%</td>
<td>0.10</td>
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<td>Fair/poor health</td>
<td>23.6%</td>
<td>24.7%</td>
<td>0.92</td>
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<tr>
<td>Difficulty managing money</td>
<td>5.7%</td>
<td>5.9%</td>
<td>0.34</td>
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<tr>
<td>Working for pay</td>
<td>39.7%</td>
<td>37.7%</td>
<td>-1.48</td>
</tr>
<tr>
<td>Years of schooling</td>
<td>13.5</td>
<td>13.5</td>
<td>0.23</td>
</tr>
<tr>
<td>Household Income</td>
<td>$104,713</td>
<td>$106,033</td>
<td>0.24</td>
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<tr>
<td>Household Wealth</td>
<td>$753,454</td>
<td>$818,546</td>
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<tr>
<td>N</td>
<td>11800</td>
<td>3102</td>
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</table>

Source: HRS 2020 Early Release V2.0
### Table 2: Nonreceipt of the EIP by race/ethnicity and receipt of Social Security

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>No SS Bens</th>
<th>SS Receipt</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>6.2%</td>
<td>6.7%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Black</td>
<td>10.7%</td>
<td>7.1%</td>
<td>8.5%</td>
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<tr>
<td>Hispanic</td>
<td>19.7%</td>
<td>9.9%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Total</td>
<td>8.8%</td>
<td>7.0%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

**Source:** HRS 2020 Early Release V2.0
Table 3: Percent mostly spending the EIP by race/ethnicity and receipt of Social Security

<table>
<thead>
<tr>
<th>Race/ethnicity</th>
<th>No SS Bens</th>
<th>SS Receipt</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>17.8%</td>
<td>23.3%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Black</td>
<td>7.3%</td>
<td>12.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>11.2%</td>
<td>24.8%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Total</td>
<td>15.5%</td>
<td>22.0%</td>
<td>19.5%</td>
</tr>
</tbody>
</table>

Source: HRS 2020 Early Release V2.0
**Figure 1: Schedule of Economic Impact Payments for a single individual, by adjusted gross income**

Figure 2: Percent not receiving EIP, by income quintile and stated reason

Source: HRS 2020 Early Release V2.0
Figure 3: Percent mostly spending the stimulus payment, by age, 2020 compared with 2001 and 2008

Figure 4. Percent mostly spending the stimulus payment, by income quintile and whether or not receiving SS benefits

Source: HRS 2020 Early Release V2.0
Figure 5: Percent mostly spending the EIP, by county level of COVID-19 infections per capita as of July 2020

Figure 6: Disposition of the EIP, by race and ethnicity

Source: HRS 2020 Early Release V2.0
Figure 7: Disposition of the EIP, by economic hardship due to pandemic

Source: HRS 2020 Early Release V2.0
Figure 8: Percent mostly saving EIP, among those not mostly spending, by wealth quintile and whether or not receiving SS benefits

Source: HRS 2020 Early Release V2.0
Figure 9: Percent giving any of the EIP to charity or friends or family, by income quintile

Source: HRS 2020 Early Release V2.0