A Generation with Little to Fall Back On: Young Adults and the Social Safety Net During COVID-19

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Economic recessions have become a harsh yet familiar reality for young Americans

Young adults, especially Millennials, have come of age during several major U.S. economic downturns — first with the DotCom tech bubble bust of the early 2000s, followed by the financial crisis and housing market collapse during the 2008 Great Recession, and now the recession brought on by the COVID-19 pandemic. While trying to find and keep jobs during past recessions, young people were more likely to experience higher unemployment and higher rates of poverty than other age groups (Gould & Kassa, 2020; Hawkins, 2019). Moreover, young people graduating from college during past recessions were more likely to experience labor market 'scarring,' or permanently lower likelihood of employment, that lasts a lifetime (Rothstein, 2020). With the onset of the COVID-19 pandemic, young adults once again are facing the highest unemployment rates of any age group with mounting financial pressures in an uncertain economy (Cox, 2020).

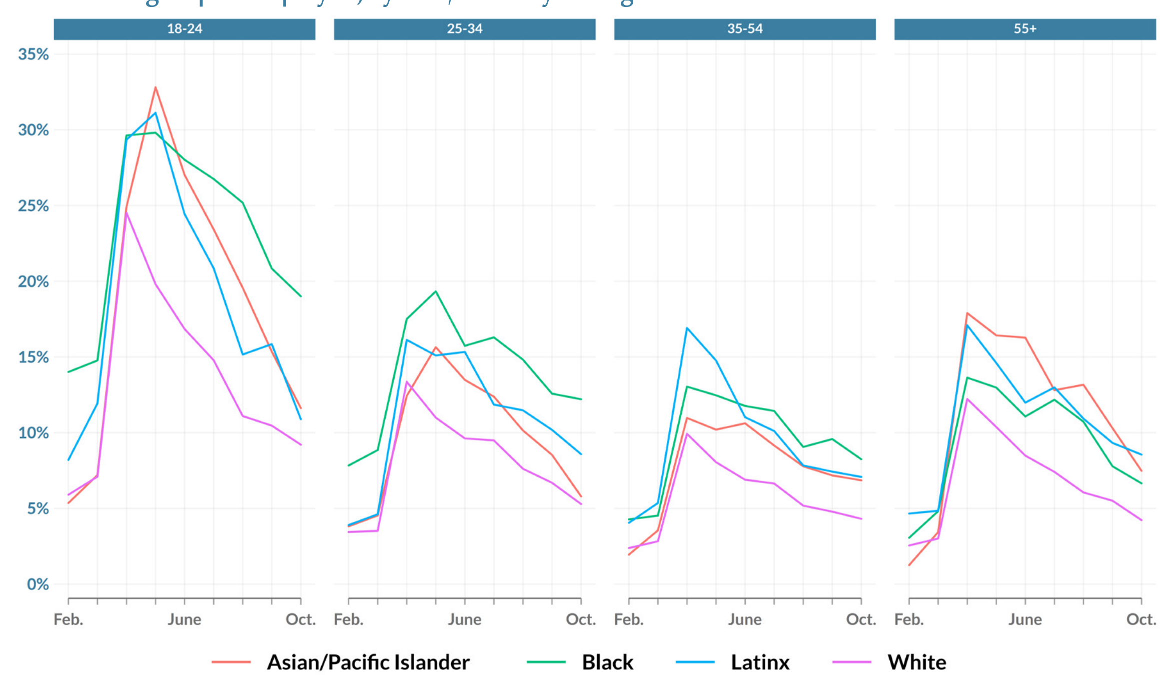
In response to such challenges, this issue brief explores weaknesses in the current social safety net and how it could be strengthened to better support young adults, especially during the current COVID-19 recession. We first establish that, as with previous recessions, young adults, and in particular young adults of color, have been among the hardest hit groups since the onset of the pandemic. We then look at existing social safety net programs and how they offset poverty rates across the life cycle. In the final part of this issue brief, we review results from a national survey the Berkeley Institute for Young Americans conducted with YouGov during spring 2020 to gauge generational perspectives of the federal government's responsibility to provide programs and services during the COVID-19 pandemic.

The COVID-19 pandemic has hit young adults especially hard

The COVID-19 recession has disproportionately pushed young people into unemployment, many who work in the service and retail industries (Gould & Kassa, 2020). Job loss during the pandemic could be devastating to younger generations, many of whom have little savings or wealth to fall back on (Federal Reserve, 2020). While the federal

Figure 1: Unemployment and the COVID Recession

Share of each group unemployed, by race/ethnicity and age



Source: Author's analysis of data from IPUMS-CPS.
Sample: U.S. civilian residents in the labor force, 18 or older.
Notes: Not seasonally adjusted. The unemployment rate is defined as the share of the labor force without a job and actively looking for work.

government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020, there was insufficient support for low-income, unemployed, or job-seeking young people to help them withstand the financial blow of the recession (Alemany & Griffiths, 2020; Gould & Kassa, 2020). As shown in Figure 1, young adults have by far the highest unemployment rates of any age group during any month of the pandemic.

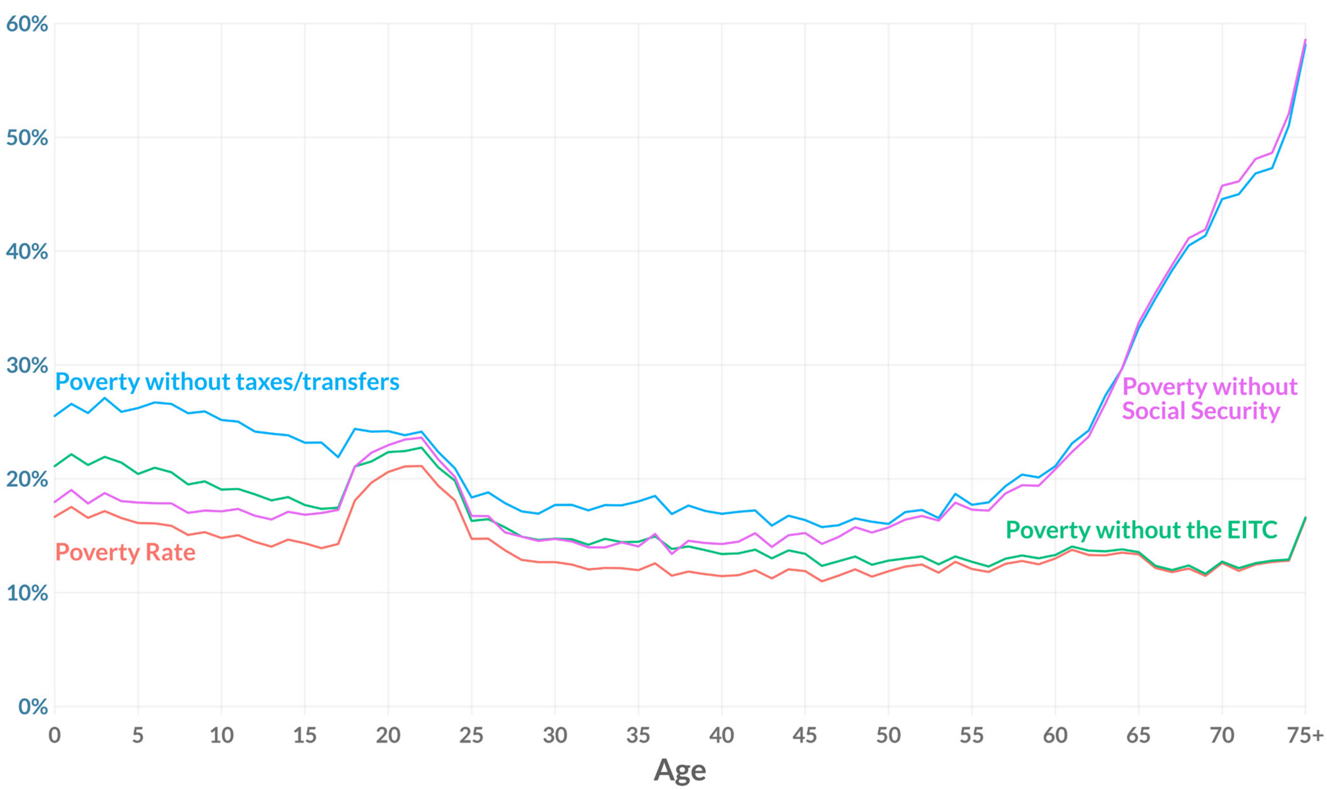
- As shown in Figure 1, young adults (ages 18-24) have by far the highest unemployment rates of any age group during any month of the pandemic.
- All age groups have experienced an overall decline in unemployment since June, but 18-to-24-year-olds overall are still experiencing double the unemployment rates of workers 35-years-old and older.
- Figure 1 also shows that younger, ethnically and racially diverse workers, have been among the hardest hit groups during this recession, consistent with research on previous recessions (Hoynes, Miller, Schaller, 2012).
- Young people tend to be employed in industries such as hospitality and leisure that have been particularly hard hit since the onset of the public health crisis (Gould & Kassa, 2020), which has contributed to the high unemployment rates among younger age groups.

For the most part, the social safety net leaves out young, childless adults

Heading into this recession, millions of young adults were already living at the margins; for those young workers who lost their jobs or experienced pay cuts when the pandemic hit, there was little existing social safety net to support them (Hawkins, 2019; Kent, 2020). For many social safety net programs, age and work requirements are important eligibility factors. Social Security, for example, primarily targets seniors, while other programs like the Child Tax Credit target the very young. Programs such as the Earned Income Tax Credit (EITC) are designed with work requirements, leaving out the unemployed and those not in the workforce. Moreover, the EITC also provides the greatest benefit to families with children, implicitly de-prioritizing younger, working-aged adults who are less likely to have children; in 2020, the maximum credit amount for an adult without children was about $540, compared to about $3,600 for an adult with at least one child (IRS, 2020). There are also few programs at all that explicitly target young people who are not working, but in school — with the exception of Federal Pell grants that

Figure 2: Poverty across the age distribution (CY 2015-2019)

Percent in poverty, based on the Supplemental Poverty Measure, by age



Source: Author's analysis of data from IPUMS-CPS.
Sample: U.S. civilian residents. 2015 through 2019 calendar years.
Notes: 'Transfers' refers to the cash value of the programs making up the U.S. social safety net.

assist students with the greatest financial need, and subsidized federal loans for undergraduate students that are interest-free until a student graduates. As shown in Figure 2, the lack of a social safety net for young adults, who are at a critical point in their life with the transition to adulthood, contributes to the high rates of poverty among 18-25-year-olds.

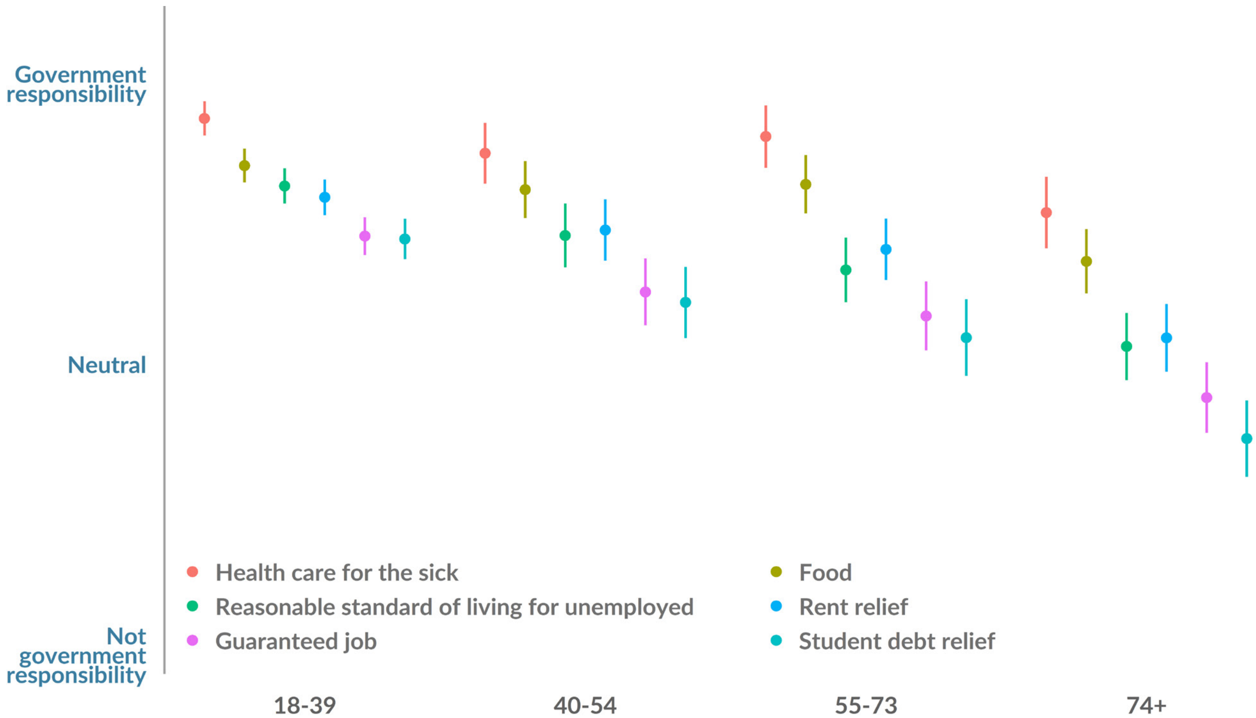
- Figure 2 shows poverty rates across the life course from 2015 to 2019, with and without government taxes and transfers that are part of the safety net. There is a consistent bump in young adult poverty (ages 18-25) even when all taxes and transfers are included (the red "Poverty Rate" series in Figure 2).
- Programs that are designed for families, such as the Earned Income Tax Credit, the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), bring down poverty rates by between 8-10 percentage points for families with children younger than 17.
- Seniors benefit most from the social safety net — government programs, namely Social Security, significantly reduce poverty for those 62-years-old and older.

Young people support broader government relief during the pandemic

In May, the Berkeley Institute for Young Americans launched a nationwide survey with YouGov to understand respondents' views of the role of government.[1] We asked respondents about the federal government's responsibility to provide specific programs and services during the pandemic. Figure 3 below combines several questions that asked respondents to "rate on a scale from 0-10 how much responsibility governments should have" for providing each program.

Figure 3: Young people support a broader social safety net

Respondents asked which programs government should provide in response to the COVID-19 pandemic



Source: YouGov/BIFYA national poll, administered April 29 - May 13, 2020. Full sample = 2,270 participants.
Sample: Sample in this figure varies by question from 2,232 - 2,241 respondents.
Notes: This figure controls for gender, race, education, and family income.
The survey oversampled for young adults to obtain a 3% margin of error for 18-39-year-olds, and a 4.9% margin of error for older generations.

- Young people have a more expansive view of the scale and scope of government; on the whole, young adults are more in favor of government providing safety net programs like food assistance, guaranteed jobs, and rent relief than other age groups. For all six programs, 18-39 year-olds averaged 6.8 on a 10-point scale, while 55-73 year-olds averaged 6.2 points, and those 74+ averaged 5.3.[2]

[1] We surveyed 2,270 adults 18-years-old or older, with an oversampling of young adults 18-39-years-old. The survey was fielded April 29 – May 13, 2020 by YouGov, a national survey and research firm, drawing from their nationwide panel. YouGov matched the respondents to a sampling frame on gender, age, race, and education using stratified sampling from the full 2016 American Community Survey (ACS) 1-year sample with selection within strata by weighted sampling with replacements.
[2] All averages control for race, education, gender, and family income.

- Young people aged 18-39 are about 10 percentage points more likely to support student debt relief than those 55-73 years old and 20 percentage points more likely than those 74 and older.
- Support for a broader social safety net declines across the age spectrum, with the oldest Americans less likely to agree that the government should provide the listed programs and services during the pandemic. And the responses dip below neutral among older voters when asked about the responsibility of the government to provide a guaranteed job or student debt relief.
- Across all age groups, there is more support for the government to provide health care for the sick, food, a reasonable standard of living for the unemployed, and rent relief. There is less support across age groups for guaranteed jobs and relieving student debt.
- While not shown in Figure 3, when we break down these findings by race, we find that across all age groups, people of color are more likely to agree that the government should have responsibility to provide these six programs than white respondents. Among 18-39 year-olds, the average response for Black, Hispanic, and Asian participants is about 7.1, whereas the average response for white participants is 6.7. The difference is even starker among older participants: Among 55-73-year-olds, white participants average 5.7 across all five programs, compared to Black respondents who average 8.3, Hispanics 6.5, and Asians 7.6.

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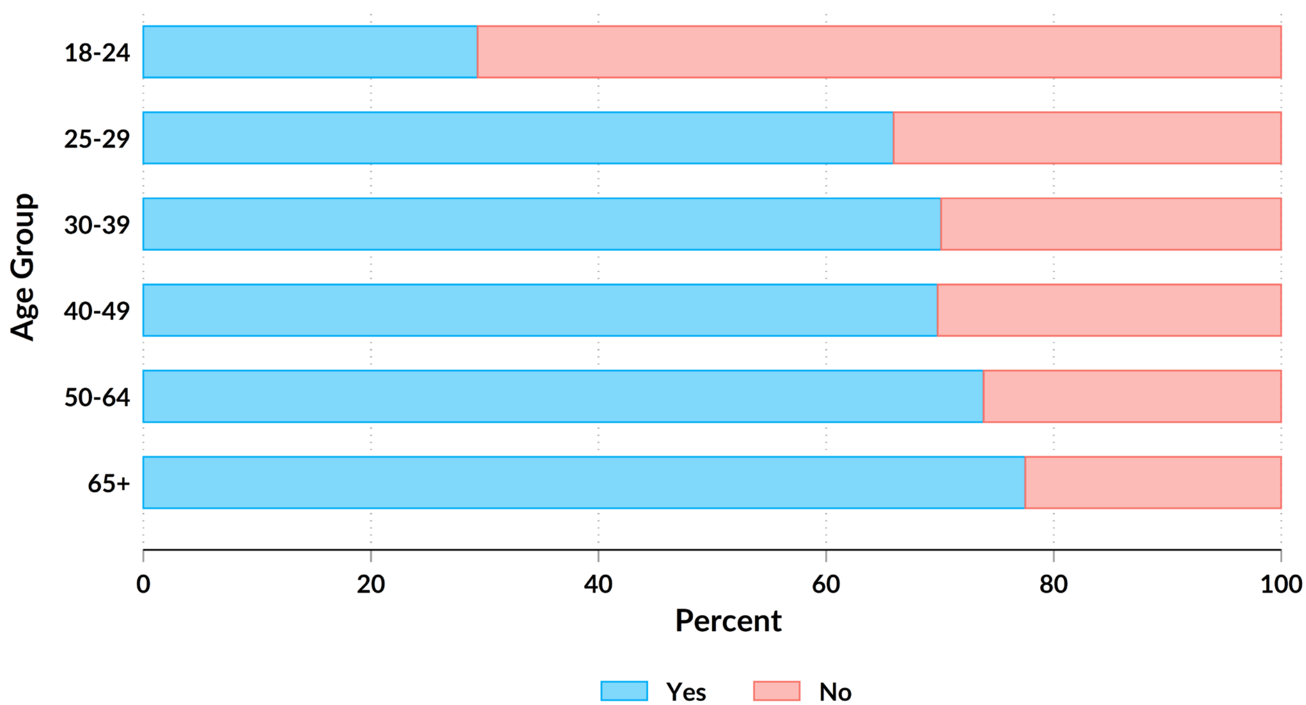
Despite these trends, young adults were not specifically targeted in the CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) — a two trillion dollar relief package intended to offset disruptions to public health and the economy brought on by the pandemic — was signed into law in March 2020. Among the programs available for individuals, the CARES Act provided supplemental unemployment insurance (UI) payments for the unemployed, additional funding for the Supplemental Nutrition Assistance Program (SNAP), health care coverage for COVID-19 related illness, and "Economic Impact Payments" or direct cash payments in the form of a stimulus check (Snell, 2020). The stimulus checks were the most far-reaching program targeting individuals. On our YouGov survey in May, we asked respondents whether they had received, or expected to receive, a stimulus check. We break down those responses by age in Figure 4.

Figure 4: "Did you receive, or do you expect to receive, a stimulus check?"



Source: YouGov/BIFYA national poll, administered April 29 - May 13, 2020
Sample: Sample size includes 2,097 respondents, with an oversampling for 18-39-year-olds.
Notes: This model controls for gender, race, education, and family income.
The survey oversampled for young adults to obtain a 3% margin of error for 18-39-year-olds, and a 4.9% margin of error for older generations.

- However, as shown in Figure 4, young people (18-24) were the least likely to report having received or anticipated receiving a stimulus check, with just under a third of this age group reporting in the affirmative.

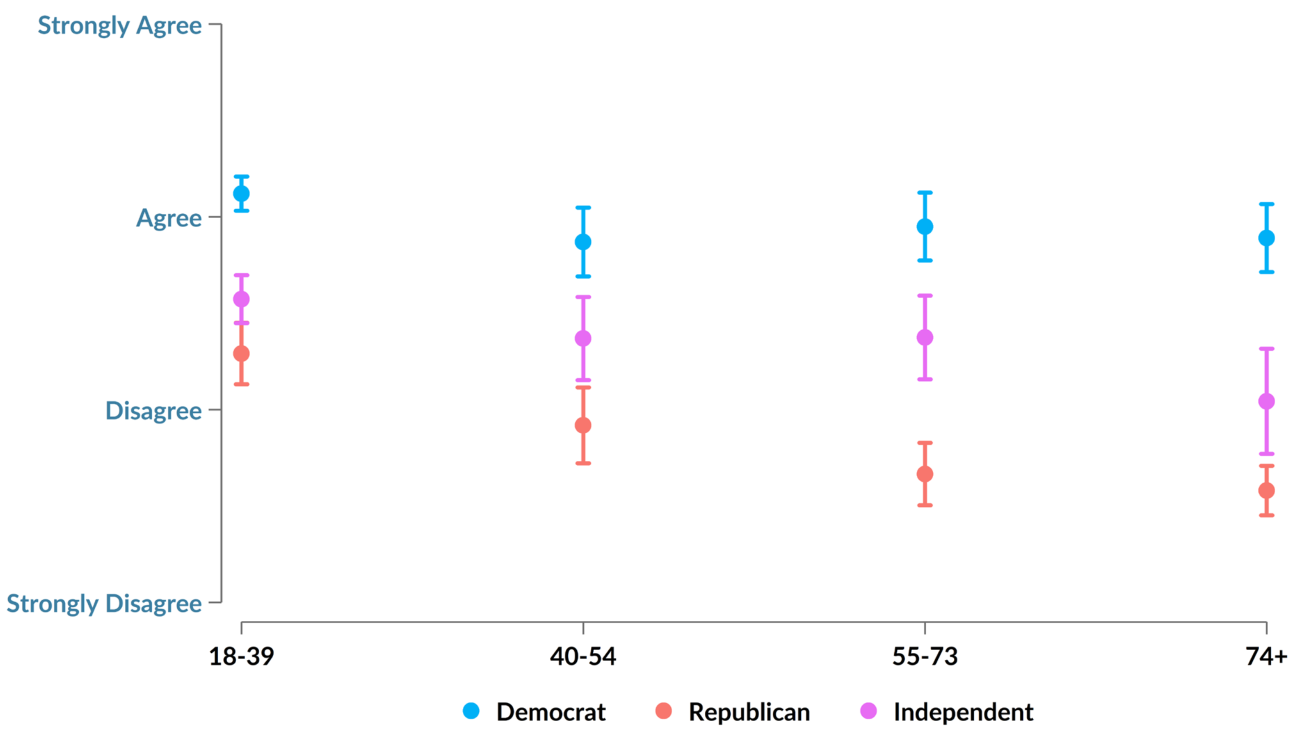
This is because many young adults ages 17 to 24 could be claimed as a dependent on their parent's tax return, and therefore were ineligible for the stimulus check (Nguyen, 2020).

- While there is a significant uptick in self-reported receipt or anticipation of the stimulus check in older age groups, those 65+ were the most likely to receive or anticipate receiving the stimulus check at the time our survey was administered.
- Ultimately, the design of the stimulus check was a form of means-testing with qualification criteria that may have unintentionally excluded vulnerable groups like young people.

Young people are more willing to raise taxes in order to pay for an expanded safety net

Over the next few months, the federal government is expected to pass additional economic relief, and ultimately taxpayers could foot the bill. We asked respondents the following question: "Overall, are you for or against the government expanding social benefits and services for residents in the U.S., even if it means much higher taxes for all?" Figure 5 shows results by political party identification.

Figure 5: Should government expand social benefits and services, even if it means higher taxes for all?



Source: YouGov/BIFYA national poll, administered April 29 - May 13, 2020. Full sample = 2,270 participants.
Sample: The sample in this figure is 1,948 respondents.
Notes: The survey oversampled for young adults to obtain a 3% margin of error for 18-39-year-olds, and a 4.9% margin of error for older generations. The model controls for race, education, gender, and income level.

- As shown in Figure 5, across all age groups, Democrats are more likely to be in favor of expanding the social safety net, even if it means much higher taxes for all; Republicans overall are the least likely to agree with the statement, and Independents fall in between Democrats and Republicans.
- Interestingly, young Republicans have a much more affirmative response than older Republicans. In fact, young Republicans (18-39) are likely to have a similar response to Independents: On a 4-point scale, the average response of young Republicans is 2.3, and 2.6 for Independents.[3]

Young people need a fundamental redesign of the safety net

Looking at the immediate effects of the pandemic on the labor market, young adults, and especially young adults of color, have been among the hardest hit groups; not only are they more likely to be unemployed during this recession,

[3] All averages control for race, gender, education, and family income.

but they are also less likely to benefit from existing social safety net programs, which for the most part, were never designed to target young adults in the first place. Moreover, young people who have lost their jobs during the pandemic may struggle to gain employment in the months to come as they face a labor market restructured by the pandemic (Davies, 2020).

Many of the programs included in the CARES Act have already expired or are set to expire within the next six weeks, including expanded unemployment benefits, a federal eviction moratorium, and student loan deferrals. Although a new economic relief package is currently on the table, the fate of the bill is uncertain (CNN, 2020). As Congress continues to deliberate about how to provide relief to the unemployed and get people back to work, we offer the following recommendations:

- In the short-term, young people need immediate relief that more carefully targets problems unique to their position in life: direct cash assistance in the form of stimulus checks, extended and expanded unemployment benefits, an extension of student loan deferrals, and an extension of the federal eviction moratorium for renters.
- In the long-term, what young people really need are permanent, structural reforms to the social safety net that will better support young adults who have historically been overlooked. Policymakers should reconsider age, work, and dependent requirements associated with the safety net and redesign programs to incorporate young adults without dependents, who have become increasingly vulnerable. For starters, policymakers could increase the EITC for young adults without dependents. They also could consider policies that would prepare young, unemployed adults for a changing workforce, for example by providing education, training, and job opportunities.

To truly address the magnitude of this recession and the young adults who have been disproportionately affected, policymakers need to acknowledge the cumulative impact of two once-in-a-lifetime crises — the COVID pandemic and the Great Recession — on younger generations. We need innovative policy solutions to strengthen the safety net and provide Millennials and future generations with greater financial security.

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