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WEATHERING THE ECONOMIC STORM OF COVID-19: LESSONS FROM THE UK AND US

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Both the US and the UK experienced dramatic slowdowns in economic activity in response to the COVID-19 pandemic. Each enacted large-scale responses targeted at workers, and in addition, the US extended direct cash aid broadly through economic impact payments (EIPs) and then to most parents with an expanded child tax credit (CTC). UK policies generally kept workers more connected to the workforce and their employer, expediting returns to work. US policies relied on workers disconnecting from the labor force in many cases, which subsequently disrupted health insurance for many. Conditioning aid on employment left some households exposed to broad economic harms of the pandemic unrelated to job loss. US policies that allowed for support without regard to employment status had a powerful effect on reducing child poverty and supporting populations, such as the elderly and disabled, who were both at elevated risk for sickness and death from the COVID-19 virus.

Public health responses to the COVID-19 pandemic, such as lockdowns and social distancing, induced a dramatic slowdown in economic activity in both the US and UK. This led to a large spike in unemployment in the US, reaching nearly 15 percent in April 2020.[2] Yet in the UK, unemployment early in the pandemic rose little above 4 percent (ONS 2020) in large part because of the Coronavirus Job Retention Scheme (CJRS) that retained nearly 9 million jobs early in the pandemic (Francis-Devine, Powell, and Clark 2022; Ferguson and Priestley 2021). Low-wage workers, younger workers, and workers from traditionally marginalized groups in both countries experienced greater disruptions in employment and income losses because of higher concentrations of these groups of workers in service

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[2] Alan Berube, "What weekly unemployment claims reveal about the local impacts of the COVID-19 recession," *The Avenue* (blog), The Brookings Institution, May 14, 2020, https://www.brookings.edu/blog/the-avenue/2020/05/13/what-weekly-unemployment-claims-reveal-about-the-local-impacts-of-the-covid-19-recession/.

industries hit hardest by the COVID-19 pandemic. Of course, the impacts of the pandemic were not limited to just job losses. Workers and nonworkers alike suffered through illnesses, rising prices attributable to disrupted supply chains, and even death.

Both countries enacted large-scale responses to alleviate the economic impacts of pandemic-related job losses on households, such as the CJRS in the UK (Ferguson and Priestley 2021), and extended unemployment insurance benefits[3] and the Paycheck Protection Program (PPP) in the US. The US also issued three rounds of EIPs[4] and expanded, monthly CTCs,[5] which were not dependent on whether a person was working.

In this brief, we describe key policies in both countries aimed at mitigating the household economic impacts of pandemic job loss and unemployment, highlighting differences in design and implementation, summarizing key findings related to material hardship and other indicators of household financial well-being, and considering various trade-offs. From this comparative analysis, we elicit key lessons policymakers can consider when confronting future economic crises that disrupt employment.

COVID-19 ECONOMIC RELIEF POLICIES IN THE UK

The CJRS was the key element of the UK government's economic response to the COVID-19 pandemic. Introduced in March 2020, the CJRS aimed to safeguard jobs and income by allowing employers to place workers on temporary leave rather than making them redundant (laying off workers). A benefit of the scheme to employers was that they could reduce their wage bill while they closed during national lockdowns or during times of low demand, as the government paid 80 percent of furloughed workers' wages up to a maximum of £2,500 (about $2,900) per month, thereby averting bankruptcy. Employers could top up wages beyond that. The CJRS was a key policy measure to avoid large-scale corporate bankruptcy during nationwide lockdowns. It was phased out during September 2021.

Effectiveness

For workers, the CJRS provided an income safety net by preventing a large fall in income that would arise in case of redundancy. However, most employers chose not to contribute to furloughed workers' wages, so that the average person on the CJRS experienced a 17 percent contraction in monthly income.

Firms furloughed staff primarily at the beginning of national lockdowns, which occurred between March to June 2020, November 2020 and were implemented again from January to March 2021. These were times of acute uncertainty surrounding future business conditions and when the government required some businesses to shutter. Over the course of the pandemic, 25 percent of UK employees were on furlough for at least one month, with the scheme supporting 11.6 million jobs.[6]

[3] "Unemployment Insurance Relief During COVID-19 Outbreak," US Department of Labor, accessed November 30, 2022, https://www.dol.gov/coronavirus/unemployment-insurance.

[4] "Economic Impact Payments," US Department of the Treasury, accessed November 30, 2022, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/economic-impact-payments.

[5] "Child Tax Credit," US Department of the Treasury, accessed November 30, 2022, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/child-tax-credit.

[6] This statistic implies that the scheme retained a particular job by furloughing an employee multiple times over the course of the pandemic.

Where firms have limited cash reserves or available credit, reducing the wage bill via furloughing is an effective way to reduce costs and relax financial constraints.[7] While furloughing workers allows businesses to reduce operating costs, the policy also benefits workers by allowing them to retain their relationship with their employer, something that would not happen in the case of layoffs. This allows workers to return to work easily after furlough ends and allows firms to expand their activities quickly once business conditions improve by drawing from furloughed staff. Particularly at the end of national lockdowns, when the incidence of furlough substantially dropped, the CRJS shielded firms from hiring costs and delays. Additionally, by maintaining links between employers and employees, the scheme avoided the loss of firm-specific skills. An analysis by the Office for National Statistics indicates that the furlough scheme was effective in retaining jobs after the program run out: 8 percent of those who have ever been furloughed were no longer employed in April to June 2021 and this is similar to the proportion of employees who had never been furloughed (7 percent).[8]

For employees, the CJRS was also highly effective in stabilizing household incomes. The scheme had been an important stabilization policy during the COVID-19 pandemic by preventing large shortfalls in employees' incomes that would have occurred if they were made redundant (Brewer and Tasseva 2021). Yet, being furloughed implies a substantial reduction in a worker's income, which is particularly problematic for low-income households. Furlough-implied income reductions increased the overall incidence of financial distress by only 2.3 percentage points. In this sense, the design of the CJRS has been successful in mitigating a big rise in the number of households experiencing financial hardship. It has been an effective buffer for the massive pandemic-induced supply shock. However, the CJRS failed to fully shield particularly the poorest households from financial distress.

Nonetheless, the question arises whether a government contribution below 80 percent of monthly wages would have been sufficient to limit the overall increase in financial hardship because it would come with the benefit of reducing the burden on taxpayers. Germany and France, for example, used furlough schemes with only around 60 percent income compensation payments to mitigate the adverse effects of the 2007–09 global financial crisis successfully (Balleer et al. 2021; Higzen and Martin 2013).

Estimates using the Understanding Society COVID-19 survey provide insights into how changing the government's furlough payments influences financial distress. These imply that furlough-induced income contractions of 20 percent or less have little bearing on the incidence of financial distress. As a result, increasing the government's contribution would do little to lower the incidence of financial distress among furloughed workers. In contrast, above income contractions of 20 percent, the probability of financial distress increases exponentially. At a 40 percent income reduction, the probability of financial distress is 31 percent higher relative to the incidence among non-furloughed individuals. This suggests that the government's contribution of 80 percent to monthly wages effectively accomplished a significant reduction in the incidence of financial distress at a relatively low cost to taxpayers (Görtz, McGowan, and Yeromonahos 2021).

This is an important insight on the effectiveness of the design of the CJRS. It is particularly relevant since the CJRS has been a major expenditure position for the UK government. The UK government spent almost £70 billion on the scheme, which equates to 8 percent of annual government expenditures.[9]

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[7] Lena Anayi, Nick Bloom, Philip Bunn, Paul Mizen, Myrto Oikonomou, Pawel Smietanka, and Gregory Thwaites, "Update: Which firms and industries have been most affected by Covid-19?" Economics Observatory, May 5, 2021, https://www.economicsobservatory.com/update-which-firms-and-industries-have-been-most-affected-by-covid-19.

[8] See "An overview of workers who were furloughed in the UK: October 2021," Office for National Statistics, accessed January 15, 2023, https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/anoverviewofworkerswhowerefurloughedintheuk/october2021.

[9] Douglas Fraser, "Covid-19: How much has it cost?" *BBC News*, March 30, 2022, https://www.bbc.com/news/uk-scotland-60924286.

COVID-19 ECONOMIC RELIEF POLICIES IN THE US

The US federal government took unprecedented steps in helping households cope financially with the pandemic, offering three rounds of EIPs,[10] increasing the CTC,[11] and extending UI benefits.[12] In addition, the PPP[13] provided forgivable loans to businesses with fewer than 500 employees to cover payroll costs for up to eight weeks to help keep workers on payrolls. Although extended UI benefits and PPP loans primarily benefited workers and their families, the EIPs and CTC also benefited many who were not working.

EIPs were authorized in March 2020, December 2020, and March 2021 and delivery to most households began shortly thereafter. The first payment provided up to $1,200 for adults and $500 for most children, the second provided $600 for most adults and children, and the third provided $1,400 for most adults and children. Typically, people were eligible for the maximum payment if they had adjusted gross income below $75,000 (single), $112,500 (single parents), or $150,000 (married couples)—including families with little or no earnings. After that, the payments phase out at a rate of 5 percent. In addition to EIPs, families with children under age 18 also received expanded CTC payments. The credit increased from up to $2,000 per child under age 17 to $3,600 per child under age 6 and $3,000 per child ages 6 through 17. These higher credit amounts began to phase out at the same income level as the EIPs. Once the payment phased down to $2,000 per child, families received that amount until their income reached $200,000 if single or $400,000 if married, just as they had under the law before the maximum credit had been increased. Typically, families receive their CTC when they file their tax return. In 2021, families could receive up to half the credit as an advance payment in monthly installments from July to December.

The Department of Treasury delivered EIP and CTC payments automatically and electronically using tax filer and Social Security recipient bank account information. The Department of Treasury sent paper checks to tax filers and Social Security recipients with no bank account information on file while all others had to go to the IRS website to complete a nonfiler claim. Individuals could also claim a recovery rebate credit on their income tax returns for any EIPs they did not receive.

Under the Pandemic Unemployment Assistance program, UI benefits were extended to include self-employed and "gig" workers and expanded to include an additional $600 per week for recipients.[14] Workers could receive up to 39 weeks of benefits that started as early as January 27, 2020 and ended as late as December 2020. States could extend benefits for an additional 13 weeks and could grant benefits to individuals unable to look for work because the pandemic (e.g., sick or quarantined).

Effectiveness

EIPs and the advanced, monthly CTC payments were delivered within days of congressional approval[15] and with high accuracy (Treasury Inspector General for Tax Administration 2021). In some cases, payments were likely delivered to the wrong person, particularly if a child had switched caregivers. The authorizing legislation for the expanded CTC included

[10] "Economic Impact Payments," US Department of the Treasury, accessed November 30, 2022, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-american-families-and-workers/economic-impact-payments.

[11] "The 2021 Child Tax Credit," October 2022, https://www.childtaxcredit.gov.

[12] "Unemployment Insurance Relief During COVID-19 Outbreak," US Department of Labor, accessed November 30, 2022, https://www.dol.gov/coronavirus/unemployment-insurance.

[13] "Paycheck Protection Program," US Department of the Treasury, accessed November 30, 2022, https://home.treasury.gov/policy-issues/coronavirus/assistance-for-small-businesses/paycheck-protection-program.

[14] "Unemployment Insurance Relief During COVID-19 Outbreak," US Department of Labor, accessed November 30, 2022, https://www.dol.gov/coronavirus/unemployment-insurance.

[15] "Stimulus Checks: Direct Payments to Individuals during the COVID-19 Pandemic," US Government Accountability Office, June 29, 2022, https://www.gao.gov/products/gao-22-106044.

a "hold harmless" provision which allowed low-income families to keep errantly delivered payments.[16] Higher income families were required to pay errant credits back when they filed their 2021 tax return in 2022.

Numerous surveys showed the IRS had the most difficulty delivering EIP and CTC payments to very low-income families who previously had income low enough that they were not required to file[17] a tax return (Karpman et al. 2021). The IRS and other government agencies, along with a network of community-based organizations, worked to improve participation in both of these communities. It is unclear how successful they were. There is also evidence that some immigrants who were eligible for the EIPs did not claim them out of fear or because they were unaware of their eligibility (Godinez-Puig, Boddupalli, and Mucciolo 2022).

In June 2021, Treasury estimated there were 2.3 million children who had appeared on a health insurance tax form that had not received an advance CTC payment.[18] Communities where people were likely to be left out were more likely to be majority Hispanic, have a higher concentration of immigrants than communities likely to receive the credit, and experience relatively high levels of poverty.[19]

Concerning UI benefits, there were widespread reports of long delays in receiving benefits. Over two-thirds of applicants waited at least two weeks while 26 percent waited at least four weeks to receive payments (Bufe et al. 2021). Fraudulent claims rose steeply because of the ease of exploiting legacy state online application systems[20] resulting in an estimated $163 billion in improper payments (Horowitz 2022). The Government Accountability Office (GAO) added the UI benefit system to its list of programs that are deemed "high risk" because of "fraud, waste, abuse, and mismanagement, or need transformation."[21]

Concerning the PPP, 93 percent of small businesses received one or more loans totaling almost $800 billion, with an estimated 23 to 34 percent of loan dollars helping workers avoid losing their jobs with the remainder going to business owners, investors, vendors and creditors. Consequently, roughly three-quarters of loan proceeds went to households in the top 20 percent of the income distribution, a finding largely attributed to the lack of targeting based on economic need for the first two loan rounds in 2020. However, the third round of loans in 2021 targeted small businesses with substantial revenue losses, resulting in a correlation of 0.66 between loan amounts per worker and private sector job losses (Autor et al., 2022). Furthermore, the second round of PPP loans better reached communities with higher proportions of workers from traditionally marginalized groups than the first round (Fairlie & Fossen, 2022), while approvals for PPP loans and other small business supports were lower among Black-owned businesses compared to other businesses (Fox-Dichter 2022).

Analysis of COVID-19 pandemic relief efforts in the US suggested families used EIPs to cover routine expenses including food, reduce debt and reliance on high-cost financial services, and make investments in education. Food insecurity can

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[16] "The Child Tax Credit: Temporary Expansion for 2021 Under the American Rescue Plan Act of 2021 (ARPA; P.L. 117-2)," Congressional Research Service, May 12, 2021, https://crsreports.congress.gov/product/pdf/IN/IN11613.

[17] Kelly McBride and Gabriel Zucker, "Ensuring Families Who Qualify for the Child Tax Credit Aren't Left Behind," *Code for America* (blog post), August 5, 2021, https://codeforamerica.org/news/ensuring-families-who-qualify-for-the-child-tax-credit-arent-left-behind.

[18] "By ZIP Code: Number of Children under Age 18 with a Social Security Number Who Are Not Found on a Tax Year 2019 or 2020 Tax Return but who Appear on a Tax Year 2019 Form 1095 and Associated Number of Policy Holders," US Department of the Treasury, Office of Tax Analysis, June 8, 2021, https://home.treasury.gov/system/files/131/Estimated-Counts-of-Children-Unclaimed-for-CTC-by-ZIP-Code-2019.pdf.

[19] Aravind Boddupalli, "Where Are Families Most at Risk of Missing Out on the Expanded Child Tax Credit?" Tax Policy Center, *TaxVox* (blog), October 21, 2021, https://www.taxpolicycenter.org/taxvox/where-are-families-most-risk-missing-out-expanded-child-tax-credit.

[20] Cezary Podkul, "How Unemployment Insurance Fraud Exploded during the Pandemic," *Propublica*, July 26, 2021, https://www.propublica.org/article/how-unemployment-insurance-fraud-exploded-during-the-pandemic.

[21] "High Risk List," US Government Accountability Office, accessed November 30, 2022, https://www.gao.gov/high-risk-list.

have wide-ranging negative effects on children. These include worse health outcomes and damage to a child's ability to learn and grow (Gundersen and Ziliak 2015). In late April 2020, soon after the onset of the pandemic, food insecurity rose dramatically particularly among families with children.[22] Shortly after the advanced monthly payments of the CTC began being delivered in July 2021, food insecurity dropped for families with children, which would persist as the payments continued (Hamilton et al. 2022; Karpman et al. 2022; Parolin et al. 2021). This was true among low-income families with Black, Latine, and White children.

The picture concerning UI benefits offers a different story. Rates of material hardship and use of high-cost financial products like payday loans were higher among UI recipients compared with nonrecipients and increased sharply during the COVID-19 pandemic following the expiration of expanded and additional UI benefits within the first year of the pandemic (Bufe et al. 2021). Conversely, use of high-cost financial products dropped by an average of 55 percent among CTC recipients compared with nonrecipients (Hamilton et al. 2022).

Finally, although some concern exists about how payments would affect employment, little evidence suggests employment declined. Comparing employment levels among adults who received the CTC in 2021 with those who did not, employment increased from 2020 to 2021 at similar levels (Karpman et al. 2022), analysis from May through December of 2021 showed no difference in employment trends between CTC recipients and nonrecipients (Roll et al. 2022), and data April through December showed no appreciable declines in employment among parents receiving the CTC (Ananat et al. 2022). Similarly, employment rates due to UI benefit expansions were only 0.2 to 0.4 percent lower as re-employment rates were stable, driven mostly by employer recalls (Ganong et al. 2021).

LESSONS FROM THE UK

The COVID-19 pandemic illustrates that furlough schemes can reduce economic damage by shielding workers from unemployment and firms from bankruptcy while also spurring economic recovery after lifting lockdowns. While effective in shielding households from economic hardship, a lack of eligibility requirements and compliance monitoring implied risks for abuse of the system.[23]

The CJRS was effectively available to all firms as employers could self-assess whether their finances had been detrimentally affected by the pandemic. The lack of eligibility requirements and compliance monitoring exposes public finances, and taxpayers, to potentially high costs as firms that experience non-COVID-19 related financial difficulties may use the scheme. This resulted at least partly from the need to design and implement the CJRS in a matter of days. A further unintended consequence is that zombie firms—firms for which profits are just sufficient to continue operating and service their debt but that are unable to pay off their debt—remain active rather than closing down, which hampers productivity growth and prevents the best firms from growing their market share.

Ideally a more targeted furlough scheme would guard against economic hardship while substantially reducing the cost to taxpayers of furlough. Policymakers could deploy eligibility criteria to alleviate financial difficulties among firms and workers during any economic downturn. Other countries (e.g., Germany, Switzerland) show that targeted furlough schemes were effective in mitigating the economic repercussions of the 2007 financial crisis (Boeri and Brücker 2011).

ONS data show that the burden of the pandemic on employers was concentrated in the Food and Accommodation, Arts and Entertainment and Other Services sectors where take-up rates in June last year were 20 percent—double that

[22] Lauren Bauer, "The COVID-19 crisis has already left too many children hungry in America," Brookings Institution, *Up Front* (blog), May 6, 2020, https://www.brookings.edu/blog/up-front/2020/05/06/the-covid-19-crisis-has-already-left-too-many-children-hungry-in-america.

[23] Joseph Smith and Pamela Duncan, "Firms Handed £1.3bn in Covid Contracts Claimed £1m in Furlough Grants," *The Guardian*, February 3, 2022, https://www.theguardian.com/uk-news/2022/feb/03/dozen-uk-companies-given-vip-covid-ppe-contracts-also-claimed-furlough-grants.

in other sectors. There was also variation in take-up rates within the same sector across regions. A furlough scheme should be flexibly designed to provide support to firms most in need, both between sectors and across regions, rather than allowing all employers to access it.

Overall, a more targeted furlough scheme, which builds on the success of the CJRS but includes support for the poorest households as well as compliance and accountability measures for furloughing firms, would have substantially alleviated the burden on UK taxpayers during the COVID-19 pandemic.[24]

LESSONS FROM THE US

EIP and CTC payments were distributed swiftly and reached most eligible recipients via automatic deposit. Having bank account information on file with the IRS and Social Security Administration helped facilitate this rapid response that can be replicated in the future. However, payments failed to reach the most economically vulnerable households in a timely fashion and in many cases were never claimed or went to incorrect addresses. This shortcoming reflects much room for improvement in the US concerning digital payment systems to reach unbanked citizens with economic relief more quickly as was done in other countries like Brazil during the COVID-19 pandemic using a variety of methods such as virtual debit cards and QR code payments (Americas Market Intelligence 2020). The "Facing Financial Shocks" project of the White House is a step in the right direction in this regard.[25]

The advanced CTC represented the first time the federal government delivered a refundable tax credit as an advance monthly payment to almost all eligible families. From 1978 through 2010, an advanced option for the refundable earned income tax credit was available, but very few eligible families participated in the program and payments were riddled with errors (GAO 2007). Delivering a refundable tax credit in advance offers enormous advantages for consumption smoothing and cash flow management compared with claiming refundable credits via annual tax filing but can also undermine preferences of some low-income families who plan for large purchases at tax time (Holt, Grant, and Aderonmu 2020; Maag, Congdon, and Yau 2021). Automatic payments of credits made in advance of filing a tax return (and calculating eligibility) may introduce overpayment and tax liability risks. These could be mitigated with an opt out feature, especially among households who are unsure whether the children being claimed for tax credits will remain in the household (Maag et al. 2022). It could also be mitigated by allowing some amount of credit to be delivered without being required to be repaid if delivered incorrectly. This, of course, would add to the cost of the policy.

The COVID-19 pandemic exposed what has long been regarded as an antiquated and highly inefficient system of UI benefits[26] fragmented across 50 different state systems and rife with fraud. If ever a case were to be made for a centralized, technologically robust, and secure system for UI benefits, the pandemic made it convincingly (GAO 2022). The US might also consider solutions that avoid the UI system altogether, such as work-sharing[27] and wage subsidy programs (Autor et al. 2022).

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[24] Christoph Görtz, Danny McGowan and Paul Mortimer-Lee, 2022, "A Targeted Furlough Scheme to Help the Economy in Downturns," February 7, 2022, https://www.niesr.ac.uk/publications/targeted-furlough-scheme?type=uk-economic-outlook-box-analysis.

[25] "Facing a Financial Shock," General Services Administration, accessed November 30, 2022, https://www.performance.gov/cx/projects/facing-a-financial-shock.

[26] Brent Orrell and Matthew Leger, "The Unemployment System Is Broken. Technology Alone Won't Fix It," American Enterprise Institute, February 16, 2021, https://www.aei.org/articles/the-unemployment-system-is-broken-technology-alone-wont-fix-it.

[27] During an economic downturn, employers receive financial support from the government when they reduce work hours (i.e., partial furlough) among a broader group of employees as an alternative to layoffs or full furloughs.

COMPARING POLICY STRATEGIES IN THE UK AND US

Broader lessons about how governments can best offer economic relief during macroeconomic crises can be drawn from comparing responses in the UK and US. Through the CJRS, workers in the UK maintained an attachment to the workforce and to their employer, ensuring continuous access to employer benefits, expediting returns to work, lowering hiring costs, and mitigating the erosion of firm-specific knowledge and skills. Conversely, except for a dramatically lower scale and time-limited version of CJRS in the PPP, the US waited for workers to lose jobs and navigate a high-friction unemployment system.

The disconnection from the workforce is especially concerning in the US where half of all residents receive health insurance through an employer.Large-scale disruptions in health coverage is bad public health policy during a pandemic, though Medicaid and Affordable Care Act Marketplace enrollment increased during the pandemic.[28] Still, this scenario was unfaced in the UK which provides universal health coverage through the National Health System.

While uninterrupted attachment to the labor force is a good thing, higher levels of job loss in the US may have benefited economic efficiency as workers had more incentive to consider better job opportunities whereas continuously receiving a paycheck while furloughed may have discouraged seeking more productive job matches. Around 15 percent of those on furlough in the UK reported additional income from other employment as the CJRS explicitly allowed furloughed individuals to work for other employers. In the US, the proportion of UI benefit exits attributed to employer recalls peaked at 75 percent in early summer 2020 but fell back below 50 percent by the fall as most workers were pursuing new job opportunities (Ganong et al. 2021).

The timing of economic relief was different in the two countries. The CJRS offered continuous relief in the UK, while EIPs in the US were delivered irregularly and those who lost their jobs experienced problems and delays in accessing UI benefits. The irregularity of relief in the US may have created "pockets" of financial distress and hardship, such as from August 2020 when extended UI benefits expired and until December 2020 when the second round of EIPs were delivered.

In the UK, conditioning most economic relief on labor market participation may have left many households exposed to harmful economic impacts unrelated to job loss. Only workers on an organization's payroll on a specific date were eligible for furlough and the concomitant wage subsidies. This aspect of the policy prevented the unemployed and those who were between jobs on the cutoff date from receiving income support. Despite the government moving the qualifying cutoff date from March 19 to February 28, 2020, to help new job starters, almost 200,000 individuals remained uncovered. A comparative advantage of EIPs in the US were that payments were nearly universal and helped households cope with heterogeneous economic impacts of the pandemic. Similarly, almost all families with children, even those with low or no earnings, received the CTC. As a result, these payments had a powerful effect on reducing child poverty, including among the very poor and loosely attached to the labor market (Creamer et al. 2022). Policies that focus on the working population often deprioritize the elderly and disabled—two populations at elevated risk for sickness and death from the virus itself.

As the UK and US economies continue to recover from the COVID-19 pandemic, inflation has reached rates unseen in over four decades, disproportionately affecting lower-income households who spend a greater proportion of their incomes on goods and services and whose employment has suffered in a K-shaped economic recovery (Dalton et al. 2021). Fortunately, a cost-of-living adjustment of 8.7 percent will be implemented in January 2023 for Social Security benefits in the US, yet failure to make the expanded child tax credit permanent forgoes an opportunity to combat the

[28] Daniel McDermott , Cynthia Cox, Robin Rudowitz, and Rachel Garfield, "How Has the Pandemic Affected Health Coverage in the U.S.?" Kaiser Family Foundation, December 9, 2020, https://www.kff.org/policy-watch/how-has-the-pandemic-affected-health-coverage-in-the-u-s.

effects of inflation on lower-income households and reduce child poverty.[29] The UK government follows a similar approach, whereby benefit claimants are eligible for a £150 cost-of-living payment. It also provides a fixed sum toward each household's energy bills for six months through the Energy Bill Support policy. While this attempts to offset rising utility costs, it is regressive because low- and high-income households receive the same amount despite utilities accounting for a greater share of lower-income earners' monthly outgoings.

When economic calamity hits—whatever the cause—governments must respond quickly to help citizens avoid material suffering amid job and income losses while including nonworking citizens, minimizing inefficiencies, and considering the immediate and downstream implications of policy actions concerning racial and economic inequality. Policymakers in the UK and US should proactively craft relief policies ready to be deployed for the next major economic event, carefully considering the successes and failures of responses to the COVID-19 pandemic.

[29] Ian Berlin and William G. Gale, "Let the Child Tax Credit Work," Brookings Institution, *Upfront* (blog), July 7, 2022, https://www.brookings.edu/blog/up-front/2022/07/07/let-the-child-tax-credit-work.

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