



# The Effects of COVID-19 on the Economic Security of Families and Children in Puerto Rico: Vulnerabilities, Projections, and Recommendations

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# The Effects of COVID-19 on the Economic Security of Families and Children in Puerto Rico: Vulnerabilities, Projections, and Recommendations

A total of 394,000 Puerto Rican children live in or are close to poverty, as defined by federal standards. Their families have an average annual income of \$12,300 and 30% of them do not participate in the Nutrition Assistance Program (NAP).<sup>1</sup> More than 1 out of 3 of these children live in extreme poverty and in households with incomes averaging only \$5,500 a year.

Families with children who live in poverty are among the most impacted by disasters caused by natural phenomena.<sup>2</sup> COVID-19 is as natural as hurricanes, tsunamis, or earthquakes, which become a disaster when they take place in a context of vulnerability stemming from political decisions, economic restrictions, or forms of social organization.<sup>3</sup> As with other natural disasters, the consequences of COVID-19 can change economic, social, and interpersonal relationships in Puerto Rico.<sup>4</sup>

Puerto Rico is no stranger to natural disasters. In less than 3 years, two hurricanes of considerable strength pounded Puerto Rico, and in January 2020, there was a 6.4-magnitude earthquake and aftershocks on the southwest of the island. These natural disasters have had a great impact on children,<sup>5</sup> and as the Children and Youth Wellbeing Municipal Index of the Youth Development Institute (YDI) shows,

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<sup>1</sup> Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas, and Matthew Sobek. IPUMS USA: Version 10.0 [Puerto Rican Community Survey, 2018]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D010.V10.0>

<sup>2</sup> De la Fuente, Alejandro, Luis Lopez-Calva, and Aromar Revi. "Assessing the Relationship between Natural Hazards and Poverty: A Conceptual and Methodological Proposal." United Nations Development, 2009. Programme. <http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/CPR/RBAP-CPR-2009-Natural-Hazards-n-Poverty-Proposal.pdf>; Eileen V. Segarra. "María y Vulnerabilidad en Puerto Rico." *Revista de Administración Pública* 49, 2018.

<sup>3</sup> Revet, Sandrine. "¿Puede la crisis del COVID-19 clasificarse como un fenómeno natural?" *SciencesPo*, 2020. <https://www.sciencespo.fr/ceii/fr/content/puede-la-crisis-de-covid-19-considerarse-un-desastre-natural>

<sup>4</sup> GERM, UNESCO. "El riesgo de desastres de origen natural en tiempos de Covid-19" (22 de abril 2020). <https://es.unesco.org/news/riesgo-desastres-origen-natural-tiempos-covid-19>

<sup>5</sup> "Los Efectos del Huracán María en la Niñez en Puerto Rico". Estudios Técnicos, Inc. & Universidad de Puerto Rico, Recinto de Río Piedras. San Juan: Instituto del Desarrollo de la Juventud, 2019. <http://juventudpr.org/wp-content/uploads/2019/01/93277.pdf?v=1.0>

Guánica, the epicenter of the earthquakes in the southwestern region, is the town with the second highest child poverty rate in Puerto Rico.<sup>6</sup>

COVID-19 may be the most far-reaching natural disaster Puerto Rico has experienced in its most recent history. No Puerto Rican resident is immune from contracting it, and since COVID-19 is present all over the world, the inability to close our borders exposes us even more. Exposure to the virus does not have a limited timeframe, and until a vaccine exists, it could persist over months or years. It is an invisible enemy.

COVID-19, just like the earthquakes and Hurricane Maria, can have a considerable impact on the economic security of children and their families. The World Bank estimated that COVID-19 will plunge 49 million people around the world into poverty.<sup>7</sup> The Centers for Disease Control and Prevention (CDC) states that black and Hispanic individuals in the United States, who have a higher poverty rate, are overrepresented among patients hospitalized for COVID-19 and that their mortality rate due to COVID-19 is higher than that of white persons.<sup>8</sup>

This report presents an overview of how COVID-19 affects the economic security of low-income families with children and makes recommendations on how to mitigate the negative effects of COVID-19 in the short and long term. Moreover, state and federal public policy responses having the greatest impact on families and their children are described. Projections related to how COVID-19 impacts poverty and how this outlook changes when assistance is provided are made based on data from the Puerto Rico Community Survey. For all its ills, the COVID-19 pandemic provides opportunities to curb adversity and improve the economic security of families with children.

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<sup>6</sup> "Índice Municipal". San Juan: Instituto del Desarrollo de la Juventud, 2018. <http://juventudpr.org/datos/indice-municipal/>

<sup>7</sup> Gerszon Mahler, Daniel, Christoph Laknerr, Andres Castaneda Aguilar, and Haoyu Wu. "The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit." *World Bank Blogs*, last modified April 20, 2020. <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>

<sup>8</sup> "COVID-19 in Racial and Ethnic Minority Groups," Centers for Disease Control and Prevention, last modified April 22, 2020. <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>

The main conclusion of this study is that the COVID-19 pandemic results in a substantial increase in poverty, however state and federal aid can reduce poverty to levels below those exhibited prior to the pandemic. Nonetheless, a reduction in poverty is possible if those eligible receive aid quickly and workers get back to work within 4 to 6 months. Because the aid is temporary, when the pandemic subsides and if measures are not taken to permanently decrease poverty, there will most likely be a return to the "normal" 58% child poverty rate once again.

Public policy recommendations are made to tackle the short-term negative consequences of COVID-19 aimed mainly at protecting the economic and food security of families and their children. The long-term recommendations aim to provide opportunities for a permanent reduction in child poverty.

## Guiding Questions and Methodology

This report answers four main questions;

1. What is the context surrounding Puerto Rico and families which may increase the negative effects of the COVID-19 pandemic?
2. What assistance are families receiving in order to confront the pandemic?
3. What are the effects of the pandemic on poverty rates?
4. What short- and long-term public policies can mitigate the pandemic's negative effects?

To determine the effects of COVID-19 on families and their children, we used data from various sources. The 2018 Puerto Rico Community Survey is used to model the effects on poverty. Documents issued by the United States Federal Government and the government of Puerto Rico are reviewed to understand what aid families are receiving in response to COVID-19. Due to the immediacy of the pandemic, we also make use of news published in top digital and print newspapers. This document also makes reference to reports and studies published in academic journals and research organizations, as well as studies from the Youth Development Institute.

During the lockdown period, Dr. Enchautegui and her research assistant Vallerie Blakely Vallecillo have been in contact with several low-income heads of household to obtain their perspectives on the effects of COVID-19. Therefore, this study also draws on the experiences of mothers in the trenches of the pandemic.

The effects of the COVID-19 pandemic are multidimensional, and since it is an ongoing event, poverty projections may change, depending on the available aid and the duration of the pandemic. The analysis presented in this study is based on the existing outlook at the time it was conducted and is subject to change as the pandemic progresses.

## A Conceptual Framework of the Effects of COVID-19 on Families with Children

**Figure 1** shows a conceptual framework which aims to understand the effects of the COVID-19 pandemic on families and their children. The context or existing conditions reflect the vulnerabilities of both the country and families, which exacerbate the negative effects of COVID-19. At the time of the arrival of COVID-19, Puerto Rico was already displaying the following vulnerabilities.

- **A weak economy:** This makes resources to control the pandemic scarce, and the shutdowns caused by the lockdown jeopardizes many small- and medium-sized businesses' operations.
- **Low income, low employment levels, and over half of children living in poverty:** Income limitations restrict families' ability to confront the economic consequences of COVID-19.
- **A high percentage of people at risk of suffering severe consequences upon contracting COVID-19:** 27% of the population is 65 years or older and there is a high incidence of chronic health conditions such as diabetes, obesity, hypertension, and respiratory illnesses. For instance, in 2018 there was a 15%



prevalence of diabetes and 8.3% of vascular conditions, which is higher than in any state in the United States, with the exception of West Virginia.<sup>9</sup>

- **Previous natural disasters:** In a period of less than 3 years, Puerto Ricans have faced two Category 4 hurricanes and a 6.4-magnitude earthquake with aftershocks during the month of January 2020 in the southwestern region, including one at a 5.4 magnitude that occurred on May 2, 2020.<sup>10</sup> Upon the arrival of COVID-19, many families were still recovering from previous disasters.
- **People don't trust the government:** After experiencing the government's response to Hurricane Maria and the earthquakes in the southwest, people in Puerto Rico have little hope that the government will solve the COVID-19 crisis. In a representative survey carried out during COVID-19, only 36% responded that the government is in control of the situation.<sup>11</sup> This lack of trust may result in less compliance with lockdown rules and other government-imposed orders, social unrest that may increase the likelihood of transmission, and to ignore critical official information that may help confront the crisis. Government actions during the pandemic add to this mistrust. For example, although direct federal aid was approved on March 27, it wasn't until May 4 that taxpayers began receiving aid, and as of the writing of this document, a platform has not been made available so that individuals who do not file taxes can receive it.

Families may have some resources to mitigate the effects of COVID-19. Some families have savings and others have a support network of family and friends. The community may have resources such as a decent organizational capacity or a good monitoring system among neighbors. Non-profit organizations also act as a buffer with respect to the effects of COVID-19. These organizations are able to distribute

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<sup>9</sup> Behavioral Risk Factor Surveillance System, Centers for Disease Control and Prevention, 2018. <https://www.cdc.gov/brfss/index.html>

<sup>10</sup> USGS. "Magnitude 6.4 Earthquake in Puerto Rico," January 29, 2020. <https://www.usgs.gov/news/magnitude-64-earthquake-puerto-rico>; Red Sísmica de Puerto Rico. <http://redsismica.uprm.edu/English/php/CatalogS/Mseismicity.php>

<sup>11</sup> "Estudio revela cuáles son las principales preocupaciones de los puertorriqueños en la cuarentena," *El Nuevo Día*, 16 de abril 2020. <https://www.elnuevodia.com/negocios/economia/nota/estudiorevelacualessonlasprincipalespreocupacionesdelospuertorriquenosenlacuarentena-2561783/>

prepared food and meals, protective equipment, and provide families with guidance about services.

**Figure 1: Economic Security of Families with Children in the time of COVID-19**



However, the state and federal governments are called upon to reduce the negative effects of COVID-19 on families, since they have the greatest amount of resources. The government can provide monetary and food aid, protective equipment, and health services at scale, and it can also change the eligibility criteria for social protection programs in order to make them more accessible during the pandemic.

COVID-19 has short- and long-term effects. Confinement and shutdown of businesses due to the lockdown results in job losses, reduced income and uncertainty, mental health problems, pain and suffering. Confinement can also pose a risk for family relationships, increasing child abuse and gender-based violence. The COVID-19 natural disaster brings about a lack of stability for children and disrupts their learning



and emotional development,<sup>12</sup> as a mother who was interviewed tells us about her daughter in high school:

*You know, I thought that she was going to tell me, "I need to get out of the house." But instead, she has said to me, "I need school to start," "I need to, like, see my friends," and she has very few of them. "I need to interact."*

YDI studies show that Hurricane Maria caused instability in many environments for children and young people, since their school, housing, family composition, family income, and circle of friends were disrupted. Similarly, COVID-19 brings instability to children in schools, consumption patterns, recreation, and access to support networks.

In the long term, the pandemic can be reflected in higher poverty rates, disconnection from the workforce, greater dependence on government programs, greater health problems, and an academic lag in children.

## Vulnerabilities of Low-Income Families with Children in Light of COVID-19

Puerto Rico's experience with natural disasters of previous years has shown the vulnerability of families with children. Of the situations that families with children in Puerto Rico face, poverty is the greatest vulnerability. Studies conducted by the Youth Development Institute (YDI) demonstrate that as it relates to Hurricane Maria, families with children whose incomes were under \$15,000 suffered greater material losses than similar families with higher incomes and this situation persisted even a year later.<sup>13</sup> In 2018, the child poverty rate was 58%. If families with an income of up to 130% of the poverty level are included, which would be the equivalent of incomes of \$27,000 or less for a family of 3, 66% of the children would be living in or close to poverty.

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<sup>12</sup> Adams, Gina. "Stabilizing Supports for Children and Families during the Pandemic." Urban Institute: The blog of the Urban Institute. April 2, 2020. <https://www.urban.org/urban-wire/stabilizing-supports-children-and-families-during-pandemic>

<sup>13</sup> "Los Efectos del Huracán María en la Niñez en Puerto Rico". Estudios Técnicos, Inc. & Universidad de Puerto Rico, Recinto de Río Piedras. San Juan: Instituto del Desarrollo de la Juventud, 2019. <http://juventudpr.org/wp-content/uploads/2019/01/93277.pdf?v=1.0>

A detailed inspection of the homes where these children live provides more information about how poverty puts these families and their children in a vulnerable situation in the face of the COVID-19 pandemic. **Figure 2** shows the characteristics of families with children living in or near poverty with an income of up to 30 percent above the federal poverty level. Economic insecurity, lack of technology, and health conditions are the characteristics that make children in poverty more vulnerable in the face of COVID.



**Economic insecurity:** Households with incomes of up to 130% of the federal poverty level have economic characteristics that make them more vulnerable in the face of the pandemic. Their annual median income is only \$12,300. These heads of household are less likely to be employed and have a college education. Also, in low-income households, the head is more likely to work in an industry affected by the shutdown, which leads to these households having income losses during COVID-19. Many low-income families are employed in the informal market, albeit sporadically and with low income levels, in jobs such as cleaning houses, doing nails, and caring for children or the elderly. As the mother we interviewed tells us, "I make ends meet like that." Access to these activities is also shut down due to the lockdown and fear of contagion.

**High percentage of single-parent families:** The vast majority of children living in poverty (78%) live in single-parent households. For the most part, these children live in female-headed households, with no other adults in the home to ease the burdens of online education, child care and the limited open days for purchasing necessary items. Although these mothers may have support outside the home, it is less accessible while in quarantine. A group of female heads of household interviewed by the YDI, reported that keeping children busy and fighting boredom was without question the greatest challenge posed by the COVID-19 lockdown. Similarly, for employed female heads of household, not having access to relatives who provide care or to daycare or school because they are shut down by lockdown orders, could mean having to quit their jobs.

**Lack of technology:** COVID-19 lockdown also put families living in poverty in difficult situations, because these children are less likely to have Internet and computers at home to carry out their education online. The digital gap is evident when only 74% of low-income children have Internet, compared to 90% of those with a higher income.

**Health issues:** According to the United States Centers for Disease Control and Prevention (CDC), people who have diabetes, lung problems, cardiovascular illnesses, hypertension, and asthma are at higher risk for severe effects and death from COVID-19.<sup>14</sup> Data presented in the YDI study *A Future of Child Poverty in Puerto Rico: How Much it Cost and What We Can do About It* shows that the lower the level of income, the greater the probability of having these illnesses. Moreover, as shown in Figure 2, children having a low income are more likely to be in the care of a person with a disability.

**Food insecurity:** One of the vulnerabilities that manifests itself most rapidly in natural disasters is food insecurity. The primary government program in charge of feeding families is the Nutrition Assistance Program. 71% of families with an income of up to 130% of the federal poverty level receive NAP. In other words, 1 in 4 low-income families do not receive NAP. The Nutrition Program for Women, Infants, and Children

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<sup>14</sup> "Clinical Questions about COVID-19: Questions and Answers," Centers for Disease Control and Prevention, last modified April 6, 2020 <https://www.cdc.gov/coronavirus/2019-ncov/hcp/faq.html>

(WIC) as well as school breakfasts and lunches are two additional food aid programs that reach thousands of children daily. Despite the food aid, a representative survey from 2015 estimated that 41% of people with an income under \$15,000 experience food insecurity.<sup>15</sup> During the pandemic, schools are closed, leaving children without school meals, which can increase food insecurity for low-income families.<sup>16</sup>

**Figure 2. Characteristics of Vulnerability in the Face of COVID-19 for Families that have Children aged 0 to 17**

Population under 18 years old	594,027	18%
Families with children ages 0-17	312,633	41%
Child poverty 100%	343,908	58%
Child poverty 130%	394,514	66%
<b>Characteristics according to poverty level*</b>		
Characteristics	Poverty <=130%	Above 130%
Median income	\$12,300	\$55,350
Single-parent homes with female heads of household	\$8,400	\$46,620
Homes with employed head of household	44%	82%
Homes with head of household in a shutdown industry (among those employed)	34%	23%
Homes in which head of household has a college degree	30%	72%
Single-parent homes	71%	34%
Households receiving NAP	71%	14%
Homeowner	39%	80%
Head of household has a disability	14%	12%
Children having a disability	8%	6%
Children in homes that have a computer, tablet, and/or smart phone	84%	96%
Children in homes with Internet access	74%	90%

Source: Steven Ruggles, Sarah Flood, Ronald Goeken, Josiah Grover, Erin Meyer, Jose Pacas, and Matthew Sobek. IPUMS USA: Version 10.0 [Puerto Rican Community Survey, 2018]. Minneapolis, MN: IPUMS, 2020.  
<https://doi.org/10.18128/D010.V10.0>

\* All of the differences between the characteristics of poverty <= 130 and poverty > 130% are statistically significant at 0.01.

## State and Federal Policies in Response to the Pandemic

In response to COVID-19, federal and state governments have developed legislative measures that provide economic assistance to minimize the negative impact of this emergency on the health system and the economy.

The federal government has approved over \$2.2 trillion to be allocated to what they identify as three response phases. These phases are:

- **Phase 1:** "Coronavirus Preparedness and Response Supplemental Appropriations" (P.L. 116-123);
- **Phase 2:** "Families First Coronavirus Response Act (FFCRA)" (P.L. 116-127);
- **Phase 3:** "Coronavirus Aid, Relief, and Economic Security (CARES) Act" (P.L. 116 - 136); and
- **Phase 3.5:** "Paycheck Protection Program and Health Care Enhancement Act" (P.L. 116-139).

Puerto Rico receives a portion of this money, whether through the relevant federal agencies or directly to the Commonwealth. At the time of this publication, the Federal House of Representatives approved the HEROES bill (H.R. 6800), which should it be approved in the Senate and signed into law, it will become Phase 4 of the COVID-19 response. This summary does not make reference to this bill, since it has not been approved, and there are those who claim that it will not be approved by Congress.<sup>17</sup>

At the state level, the government of Puerto Rico has implemented public health measures to contain the spread of COVID-19, as well as economic measures to

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<sup>15</sup> Gobierno de Puerto Rico, Instituto de Estadísticas. "Seguridad Alimentaria en Puerto Rico: Año natural 2015." Santiago Torres, Myriabel, Emmie M. Roman Melendez, Idania R. Rodriguez Ayuso, and Zelma L. Rios Vázquez, junio 2019. <https://estadisticas.pr/files/Publicaciones/Seguridad%20Alimentaria%20en%20Puerto%20Rico%20-%20Final%20%28300519%29.pdf>

<sup>16</sup> Tras reclamos de la sociedad civil el Departamento de Educación accedió a abrir un comedor escolar en cada municipio el 30 de abril de 2020, y la distribución de las comidas estaría a cargo de los municipios. Adrian de Jesus Salaman. April 30, 2020 Educación detalla el plan de apertura de los comedores escolares. Noticel. <https://www.noticel.com/ahora/educacion/top-stories/20200430/educacion-detalla-plan-de-apertura-de-comedores-escolares/>

<sup>17</sup> Sahil Kapur and Leigh Ann Caldwell ABC NEWS. May 22, 2020. <https://www.nbcnews.com/politics/congress/congress-moving-another-round-coronavirus-relief-here-are-battle-lines-n1212486>

support families and businesses. The government of Puerto Rico has approved 21 executive orders which provide guidelines on physical distancing, curfews, closures of schools and other government offices, shutdown of businesses, use of face masks, protocols for businesses and essential services, among others.<sup>18</sup> Additionally, the government formed two task forces, one for public health and the other for the economy, and allocated direct cash transfers to essential and self-employed workers.

This section summarizes the main federal laws and executive orders/state laws that would have a direct or indirect impact on families with children, which fall into 5 categories: 1) direct aid to individuals; 2) aid to workers; 3) food security; 4) early education and k-16; 3) social and community welfare; and 5) health and other items. The laws, particularly federal ones, are broad, and while every effort is made to describe the funding, this summary is by no means exhaustive. Moreover, the pandemic's environment is in constant flux, as such, the information presented is a snapshot taken from the time of the drafting of this document.

## Direct Cash Transfers to Individuals and Families

As it was the case during the 2008 recession, the federal government has allocated funds for direct transfers to all individuals. These are shown in **Figure 3.1**. In order to contain the economic impact of COVID-19, funds have been awarded to all families at the rate of \$1,200 per adult, with annual income limits of up to \$99,000 for individuals and \$198,000 for couples, with proportionally-scaled reductions starting at \$75,000 and \$150,000 respectively and \$500 per child under the age of 17.<sup>19</sup> At the local level, aid has been focused on workers.

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<sup>18</sup> Government of Puerto Rico, Department of State. "Executive Orders," <https://www.estado.pr.gov/en/executive-orders/>

<sup>19</sup> U.S.A. Congress. "An Act: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage." <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>



**Figure 3.1. COVID-19 Pandemic Response:  
Direct Cash Transfers to Individuals and Families**

Allocation	Department, Program, or Fund
<b>A. Federal Government</b>	
\$3 billion	Direct money transfers to citizens. Up to \$1,200 for adults with an income under \$99,000 (up to \$2,400 for married couples with an income of up to \$198,000) and \$500 per child ages 0-16. Individuals who are 17 years of age or older who are claimed on other taxpayers' returns are not eligible.

## Aid for Workers

An important component of the response to COVID-19 is the laws adopted to protect the economic security of workers. The economic impact of COVID-19 on Puerto Rican families is difficult to pinpoint, but everything points to the fact that poverty could become more pronounced. Unemployment claims have increased to unprecedented levels, reaching 241,000 from the week of March 14 to the week of May 2, 2020<sup>20</sup> and they could keep increasing. COVID-19 also implies that many parents have to stay home to care for sick relatives or their children due to the closure of schools and daycares. Given this situation, the government has taken several initiatives that focus on workers.

**Figure 3.2a and 3.2b** show programs intended for workers. Federal unemployment benefits have been of vital importance for salaried employees and those who are self-employed. They have provided up to \$600 a week in unemployment benefits. In addition, various loan programs are available to companies so they can keep their payroll. The Family First Coronavirus Act contains several provisions for sick leave payment. It provides for sick leave pay for up to 80 hours at 100% of salary if the employee was mandated to stay home under isolation orders, is sick with the virus, or was ordered by a doctor to stay home.<sup>21</sup> For those having to stay

<sup>20</sup>U.S. Department of Labor. "Unemployment Insurance Weekly Claims Data." <https://oui.doleta.gov/unemploy/claims.asp>

<sup>21</sup> Gobierno de Puerto Rico, Departamento del Trabajo y Recursos Humanos. "Opinión de la Secretaría Núm. 2020-02," 22 de marzo 2020. [https://www.trabajo.pr.gov/docs/Opiniones\\_de\\_la\\_Secretaria/Opinio%CC%81n\\_Secretaria\\_2020-02\\_Disposiciones\\_Aplicables\\_al\\_Toque\\_de\\_Queda\\_y\\_Nuevas\\_Licencias\\_con\\_Paga.pdf](https://www.trabajo.pr.gov/docs/Opiniones_de_la_Secretaria/Opinio%CC%81n_Secretaria_2020-02_Disposiciones_Aplicables_al_Toque_de_Queda_y_Nuevas_Licencias_con_Paga.pdf)

home due to the illness of a family member, school or daycare closings, or other illness with symptoms similar to COVID-19, it also provides for up to 80 hours paid at 2/3 of salary. Moreover, the eligibility requirements for the Family and Medical Leave Act (FMLA) are expanded and up to 10 weeks of leave are provided at 2/3 of salary, up to a maximum of \$200 per day. Employers with fewer than 50 employees may qualify for an exemption.

Locally, bonuses have been disbursed to essential employees such as nurses and public safety personnel ranging from \$1,000 to \$4,000. Aid was also granted to small and medium businesses totaling \$1,500.

**Figure 3.2a Federal Government Response to the COVID-19 Pandemic:  
Aid for workers**

Allocation	Department, Program, or Fund
\$310 billion*	Loans for Small and Medium-Sized Businesses: Paycheck Protection Program
	<ul style="list-style-type: none"> <li>• \$130 billion in the Employee Retention Program*</li> <li>• \$50 billion in the Loan Program*</li> <li>• \$60 billion in Small and Medium Business Loans*</li> <li>• \$60 billion in the Economic Injury Disaster Loan (EIDL) Program*</li> <li>• \$10 billion in the Forgivable Loan Program*</li> </ul>
	Unemployment Insurance Benefits
	<ul style="list-style-type: none"> <li>• 13 additional weeks in state benefits for a total of 39 weeks</li> <li>• Pandemic Emergency Unemployment Compensation (PEUC) - \$600 weekly unemployment benefits through July 31, 2020</li> <li>• Pandemic Unemployment Assistance (PUA), intended for self-employed workers</li> </ul>
	Leave:
To be determined*	Up to 80 hours of paid sick leave, if the individual is ordered to be quarantined by the government or has symptoms of COVID-19.
To be determined*	Sick leave paid at two-thirds' salary for up to 80 hours to employees who are unable to work because they are caring for a person who has COVID-19 or caring for a minor whose daycare or school is closed due to COVID-19.
To be determined*	Expansion of family leave up to 10 weeks with two thirds of regular pay if an employee is unable to work due to the need to care for a minor child due to daycare or school closures.
*Funds are allocated for the federal program and the line item for Puerto Rico could: 1) be unallocated per the agency's guidelines; 2) depend on proposals requested by the state agency; or 3) depend on the number of applications from Puerto Rican citizens.	

**Figure 3.2b State Government Response to the COVID-19 Pandemic: Aid for workers**

Allocation	Department, Program, or Fund
\$100 million	\$500 incentive payments for self-employed workers
\$60 million	\$1,500 incentive for small- and medium-sized businesses with 50 employees or less
\$127 million	Bonus pay between \$1,000 and \$4,000 for private and public sector nurses, health technicians, pharmacists, among other health professionals
\$12.7 million	Bonus pay between \$2,000 and \$3,500 for municipal police, municipal firefighters, and on-duty internal revenue service agents
\$75.7 million	Bonus pay between \$3,500 and \$4,000 for essential personnel in the Department of Public Safety
\$16.8 million	Bonus pay of \$3,500 for Department of Corrections and Rehabilitation Officers
\$800,000	\$2,000 bonus pay for bailiffs and other employees of the General Court of Justice

## Food Security

Due to the COVID-19 crisis, many families have found themselves in need of funds to purchase food. In other crises, such as in the case of Hurricanes Irma and Maria, families' food security has been shown to be impacted.<sup>22</sup> Given the high level of unemployment caused by the pandemic, we may see an increase in these figures for those families living in poverty and those close to poverty.

**Figure 3.3** provides a summary of the aid available to address food security during the pandemic. This highlights the aid provided to the Nutrition Assistance Program (NAP) beneficiaries with an increase of approximately \$347 million. In addition, other programs such as school cafeterias and The Emergency Food Assistance Program (TEFAP) have received additional funding through approved federal laws. In this line item, we were not able to identify any contribution from the state government.

<sup>22</sup>"Los Efectos del Huracán María en la Niñez en Puerto Rico". Estudios Técnicos, Inc. & Universidad de Puerto Rico, Recinto de Río Piedras. San Juan: Instituto del Desarrollo de la Juventud, 2019. <http://juventudpr.org/wp-content/uploads/2019/01/93277.pdf?v=1.0>

Figure 3.3 The Government's Response to the COVID-19 Pandemic:  
Food Security

Allocation	Department, Program, or Fund
<b>A. Federal Government</b>	
\$500 million*	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
\$850 million*	The Emergency Food Assistance Program (TEFAP)
\$8.8 billion*	Child Nutrition Program (School Cafeterias)
\$347 million	Puerto Rico Nutrition Assistance Program (NAP)

\*Funds are allocated for the federal program and the line item for Puerto Rico could: 1) be unallocated per the agency's guidelines; 2) depend on proposals requested by the state agency; or 3) depend on the number of applications from Puerto Rican citizens. . The itemized amount for NAP was announced by the Puerto Rico Federal Affairs Administration <https://prfaa.pr.gov/2020/05/18/governor-wanda-vazquez-garced-announces-347-million-for-nap-beneficiaries/>

## Education

Funds allocated to the education sector result in a double advantage: they benefit children by lending continuity to their education, which in turn reduces the instability they are experiencing, while benefiting employed parents, since safe spaces are provided for children while their parents are in the job market. **Figure 3.4** shows a summary of the measures taken by the federal and state governments to mitigate the effects of the pandemic on education from early childhood development, k-12 education, and support for higher education institutions. Of note is a \$750 million line item that is to be divided between states and territories for the Head Start and Early Head Start programs to cover expenses related to the health emergency, as well as the development of summer programs.



Also highlighted is the \$31 million for the Child Care program in Puerto Rico. These funds should be used to accommodate the daycare needs of essential workers, aid for the cleaning and sanitation of facilities, and to stabilize the child care market by continuing to pay providers even if they are closed or if children stop attending. Similarly, funds were allocated to higher education institutions to be distributed to students. Approximately \$323,781,954 from this fund is for institutions in Puerto Rico.<sup>23</sup> Finally, at the state level, a special fund was created for the Department of Education to support and establish online teaching while schools remain closed, to purchase equipment for each student and teacher, and to provide them with the software and training to use them.

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<sup>23</sup>U.S. Department of Education. "Allocations for Section 18004(a)(1) of the CARES Act." April 22, 2020.

Figure 3.4 The Government's Response to the COVID-19 Pandemic: Education

Allocation	Department, Program, or Fund
<b>A. Federal Government</b>	
\$30 billion*	Office of the Inspector General for the Department of Education
\$324 million	Higher Education Institutions
\$48 million*	Governor's Emergency Education Relief (GEER) Fund
\$349 million*	Elementary and Secondary School Emergency Relief Fund
\$750 million*	For additional expenses due to Covid-19 and Head Start and Early Head Start Summer Programs
\$31 million	Child Care and Development Block Grant emergency assistance to state and private providers
<b>B. State Government</b>	
\$255 million	Department of Education for the purchase of equipment
\$1.7 million	University of Puerto Rico, Medical Sciences Campus

\*Funds are allocated for the federal program and the line item for Puerto Rico could: 1) be unallocated per the agency's guidelines; 2) depend on proposals requested by the state agency; or 3) depend on the number of applications from Puerto Rican citizens. U.S. Department of Education "Coronavirus Relief Oversight Plan." April 22, 2020. <https://www2.ed.gov/about/offices/list/oig/misc/cares-act-plan.pdf>

## Social and Community Welfare

Another important area that is being affected by the emergency is social and community welfare. An example of this is the more than 50% increase in calls to the state PAS line, which provides relief sessions, crisis counseling, and emotional support.<sup>24</sup> There is also concern about the state of well-being of children after seeing an increase in cases of domestic violence and fewer reports of child abuse.<sup>25</sup> To address these problems, the federal government has allocated a total of \$115 million (Figure 3.5) among various programs that address the well-being and abuse prevention of children and youth, to which Puerto Rico has access.<sup>26</sup> Furthermore, the Community Development Block Grant (CDBG) and the Community Service Block

<sup>24</sup>Lucia Lozada and Laura Quintero. "Aumentan en 50% las llamadas a la línea PAS por el COVID-19" *El Nuevo Día*, 25 de marzo de 2020, <https://www.elnuevodia.com/noticias/estatales/nota/aumentanen50lasllamadasalalineapasporelcovid-19-2555779/>

<sup>25</sup> Miguel Rivera. "En aumento los casos de violencia de género en la Isla." *El Vocero*, 22 de marzo de 2020, [https://www.elvocero.com/ley-y-orden/en-aumento-los-casos-de-violencia-de-g-nero-en-la-isla/article\\_cb57d8c0-6c59-11ea-9ffb-23db9bd65b54.html](https://www.elvocero.com/ley-y-orden/en-aumento-los-casos-de-violencia-de-g-nero-en-la-isla/article_cb57d8c0-6c59-11ea-9ffb-23db9bd65b54.html); Melissa Correa. "Disminuyen las querellas por maltrato de menores." *El Vocero*, 28 de abril de 2020, [https://www.elvocero.com/ley-y-orden/disminuyen-las-querellas-por-maltrato-de-menores/article\\_b52d232c-708f-11ea-a299-db3faeaea2c2.html](https://www.elvocero.com/ley-y-orden/disminuyen-las-querellas-por-maltrato-de-menores/article_b52d232c-708f-11ea-a299-db3faeaea2c2.html)

<sup>26</sup>U.S. Department of Health & Human Services, Administration for Families and Children. "ACF-COVID-19-Stimulus." <https://www.acf.hhs.gov/coronavirus/acf-covid-19-stimulus>



Grant (CSBG) have received allocations of \$5 billion and \$1 billion, respectively, to which Puerto Rico can have access<sup>27</sup>. At the state level, there has been work done with mayors to coordinate joint efforts, and they have received grants with state funds to handle the emergency.

Figure 3.5 The Government's Response to the COVID-19 Pandemic:  
Community development and welfare

Allocation	Department, Program, or Fund
<b>A. Federal Government</b>	
\$45 million*	Child Welfare Services
\$25 million*	Runaway and Homeless Youth Program
\$45 million*	Family Violence Prevention and Services
\$5 billion*	Community Development Block Grant (CDBG)
\$900 million*	Low Income Home Energy Assistance Program (LIHEAP)
\$1 billion*	Community Service Block Grant (CSBG)
\$42.8 million	Public Housing Administration
\$3.4 million	Temporary Assistance for Needy Families (TANF) Program
\$51 million	Community Development Fund
<b>B. State Government</b>	
\$100 million	Municipalities, supporting income losses over the next two months as a result of the emergency measures implemented to fight against COVID-19

\*Funds are allocated for the federal program and the line item for Puerto Rico could: 1) be unallocated per the agency's guidelines; 2) depend on proposals requested by the state agency; or 3) depend on the number of applications from Puerto Rican citizens.

<sup>27</sup> U.S. Department of Housing and Urban Development. *All Fiscal Year 2020 and 2019 CDBG and CDBG-CV Grantees and All CPD Field Office Directors*, April 9, 2020. <https://files.hudexchange.info/resources/documents/CARES-Act-Flexibilities-CDBG-Funds-Used-Support-Coronavirus-Response.pdf>; U.S. Department of Health & Human Services. "ACF-COVID-19-Stimulus", Administration for Families and Children, <https://www.acf.hhs.gov/coronavirus/acf-covid-19-stimulus>

## Health and Other Items

As was noted in the previous sections, one of Puerto Rico's vulnerabilities in light of COVID-19 is the high prevalence of disabilities and chronic health conditions, as well as the high percentage of older individuals. Other important aid in the health space is the matching of funds approved for the Medicaid and CHIP programs in Puerto Rico over the next two fiscal years, which has been a consistent demand made by advocacy groups. \$183 million was allocated for this line item.<sup>28</sup> Additionally, through the Centers for Disease Control and Prevention (CDC), \$7,884,152 has been granted to combat the COVID-19 outbreak.<sup>29</sup> The approved legislation covers costs related to the treatment, testing, and diagnosis of the virus for individuals.

As part of government efforts to combat the COVID-19 pandemic, the House and Senate have introduced several pieces of legislation addressing a variety of issues, including those that pertain to children and their families. Despite this, few efforts have passed both houses and gotten up to the Governor for her signature. One of the most comprehensive measures, from a health perspective, is the current piece of legislation Act #43 of 2020, which stipulates that COVID 19 tests and treatments shall be free of charge for the entire population.<sup>30</sup>

In addition, the federal government granted \$2.24 billion to the state government. The governor presented her strategic plan to distribute these funds among three areas: health, government, and the economy. Some of the important grants under this strategic plan are: 1) \$500 million for future expenses and reimbursements to the general fund and to the emergency reserve for eligible expenses; 2) \$350 million for the private sector payroll protection program; 3) \$250

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<sup>28</sup> Healthcare Financial Management Association. "Medicare and Medicaid and Other Health Care Provisions of The Families First Coronavirus Response Act and The Coronavirus Aid Relief, and Economic Security (CARES) Act." <https://www.hfma.org/content/dam/hfma/Documents/industry-initiatives/fact-sheets/families-first-coronavirus-response-act-cares-act-summary.pdf>

<sup>29</sup>Center for Disease Control and Prevention. CDC COVID-19 Crisis Response Cooperative Agreement Components A and B Supplemental Funding. [https://www.cdc.gov/cpr/readiness/00\\_docs/COVID\\_19\\_Crisis\\_Response\\_Cooperative\\_Agreement\\_Funding\\_Table\\_April\\_10\\_2020.pdf](https://www.cdc.gov/cpr/readiness/00_docs/COVID_19_Crisis_Response_Cooperative_Agreement_Funding_Table_April_10_2020.pdf); "CDC Coronavirus Funding to Jurisdictions (April 23, 2020)", Center for Disease Control and Prevention, April 23, 2020, <https://www.hhs.gov/about/news/2020/04/23/updated-cdc-funding-information.html>

<sup>30</sup> "Ley Núm. 43 del año 2020: Ley para combatir COVID 19", LexJuris Puerto Rico, <http://www.lexjuris.com/lexlex/Leyes2020/lexl2020043.htm>

million for aid to small businesses; 4) \$200 million for self-employed workers; 5) \$150 million for COVID-19 tests purchase and contact tracing; 6) \$150 million for the unemployment fund of the Department of Labor and Human Resources; and 7) \$150 million for private hospitals.<sup>31</sup>

## Projected Effects of COVID-19 on Poverty Rates

In this section, we project the effects of COVID-19 on poverty, using the different direct cash transfer scenarios provided by the state and federal government to individuals. The pandemic aid situation is changing rapidly and not all aid could be taken into consideration. The following state aid is considered in this report: (1) state government occupational bonuses; (2) \$500 in aid to the self-employed; and (3) unemployment insurance. The federal aid considered is: (1) direct cash transfers of \$1,200 for adults with an income of up to \$99,000 and \$500 for children up to 16 years of age, and (2) federal unemployment due to the pandemic of \$600 per week.

The data from the 2018 Puerto Rico Community Survey are used. Projections are made based on the following assumptions: (1) income, wages, and population of 2018 are similar to those of 2020; (2) all employees in industries affected by the shutdown lose four to six months of employment, as such, their annual salary is reduced for the corresponding months; (3) the unemployment benefit take up rate among eligible workers is 100%; (4) all employees who do not work in the industries authorized to operate during the executive lockdown order work in industries that have been shutdown and lose their jobs; and (5) all individuals receive the aid for which they

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<sup>31</sup> “Orden Ejecutiva define plan estratégico para el desembolso del CARES Act”. May 2020. *Microjuris.com*  
<https://aldia.microjuris.com/2020/05/14/orden-ejecutiva-definira-plan-estrategico-para-el-desembolso-del-cares-act/>

are eligible and (6) direct cash transfers are applied to all individuals 18 years of age or older, except for young people who, based on their data, appear to be a dependent.<sup>32</sup>

Poverty calculations are done in two ways. The first calculation models the loss of employment for four months and the effects on poverty during those four months. The second calculation models the loss of employment for four or six months but in an annual period, with the individual being considered employed during the rest of the months. Individuals or families are classified as living in poverty if their income is at 100% or below the poverty limits established by the federal government. Projections are also made for individuals or families living close to poverty or for those whose income is up to 30% over the poverty line.

Five scenarios are simulated: (1) the baseline, which refers to the poverty rate without COVID-19 or that which existed before COVID-19; (2) COVID-19 without aid refers to the effects on poverty, where wages for four (or six) months based on an annual income are eliminated, without any type of aid; (3) COVID-19 with local unemployment benefits only, refers to an income where wages for four (or six) months are eliminated, but the state unemployment insurance for which the person is eligible is applied; (4) COVID-19 with state unemployment benefits and state occupational bonus pay and; (5) COVID-19 with all aid, both federal and state. Scenario 3 is modeled because it demonstrates the poverty rates that would occur if no specific aid action is taken with respect to COVID-19, since state unemployment is something that has always been available. Scenario 4 is modeled to understand the effect of the aid offered by the government of Puerto Rico.

We estimate that 308,000 workers (salaried, day laborers, and self-employed) are employed in industries that have been shutdown, and are therefore projected to lose their jobs for four months. Of these, it was estimated that 262,000 can be covered

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<sup>32</sup> Young people between the ages of 18 and 26 with an income below \$6,000 who are single and living with their parents are excluded from federal aid, as an estimation of young dependents. Other dependent adults cannot be identified in the data.

by pandemic unemployment insurance. The rest do not seem to earn enough money to be eligible.

A summary of the results in the case of individuals and families with incomes up to 100% of the poverty line is shown in **Figure 4.1**. Detailed results are shown in **Figures 4.2 through 4.4**.

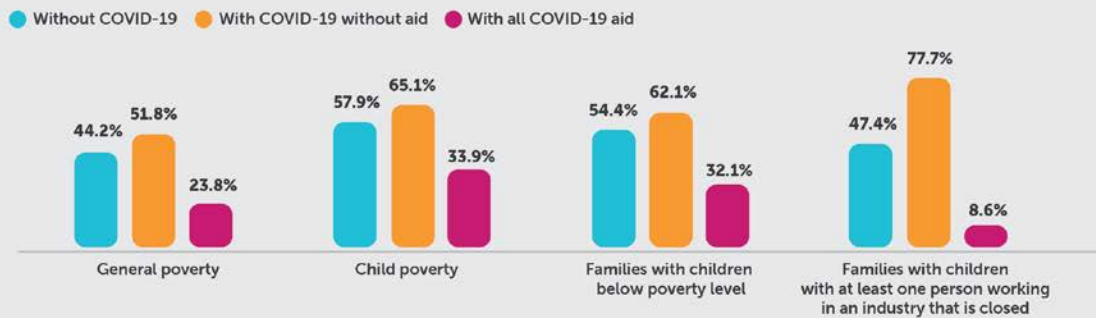
## Immediate Effects

Among the employees who lose their jobs, the vast majority immediately fall into poverty, as shown in **Figures 4.1 and 4.2**. If we take a look at panel A, it is estimated that the COVID-19 pandemic can sink 244,000 people into poverty, including 43,000 children and 23,000 households with children. The overall poverty rate during the four months of COVID-19 would increase from 44% to 52%, and among children, from 58% to 65%. In households with children and people in industries that are shutdown, the poverty rate increases to 77%. These are the poverty rates without any COVID-19-related aid.

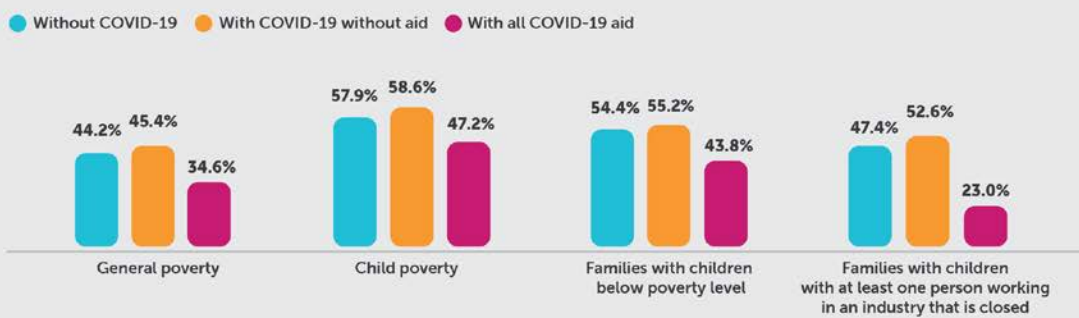
Response aid reduces the negative effects of COVID-19. State aid from Puerto Rico unemployment insurance, occupational bonuses, and \$500 for self-employed workers partially reduces the poverty created by COVID-19. With COVID-19 the child poverty rate rises to 65% but falls to 61% with state aid. With COVID-19 and state aid, the overall poverty rate drops to 48% from 52% without aid. With state aid alone, poverty rates remain above those that existed before the pandemic.

Figure 4.1 Projected COVID-19 Effects on Poverty

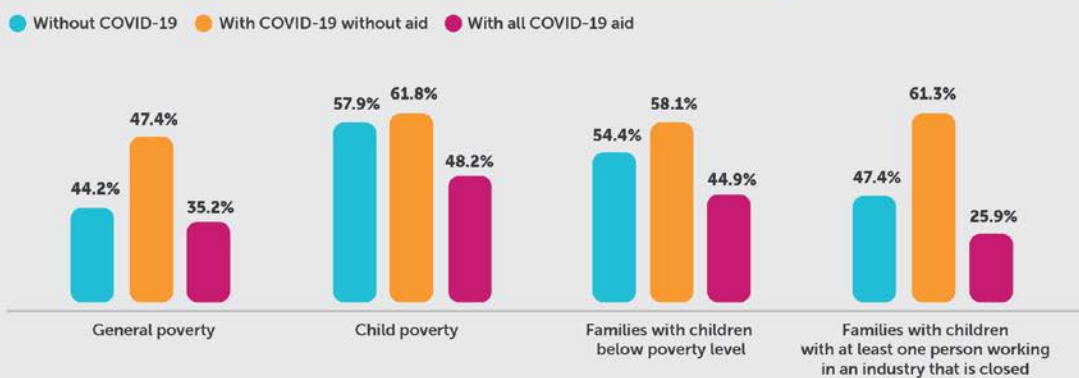
### Monthly Poverty after 4 Months of Unemployment



### Annual Poverty after 4 Months of Unemployment



### Annual Poverty after 6 Months of Unemployment





By providing federal unemployment benefits and cash to families, the reduction in poverty is evident. The general poverty rate four months into COVID-19 drops to 24%, the child poverty rate drops to 34%, and that of families with children to 32%. All come in under the numbers for COVID-19 without aid and before COVID-19.

These projections assume that the aid reaches families during a period of four months, and they demonstrate the importance of getting such aid as quickly as possible. Delays in aid translates to economic adversity, which results in economic insecurity and food insecurity. This delay can also have other repercussions such as economic deprivation, mental health problems, pain and suffering, family relationship issues, and instability in the children's care.

The substantial effects of direct cash transfers on poverty reduction reignite the debate regarding the role of such aid in the fight against poverty and places the issue of its utility and validity up for discussion. The real value of TANF cash assistance, for example, has dropped dramatically and block funds have remained constant for many years. Likewise, the cash that families could obtain from the NAP, which was 25% a few years ago, has been reduced to 5% and is expected to be 0% in October 2020.<sup>33</sup> Conversely, TANF's emergency funds were just \$40,000 before COVID-19.

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<sup>33</sup> "A partir del martes, se reduce a 5% el cash del PAN." *Primera Hora*. September 26, 2020. <https://www.primerahora.com/noticias/gobierno-politica/notas/a-partir-del-martes-se-reduce-a-5-el-cash-del-pan/>

Figure 4.2. Projected COVID-19 Pandemic Effects  
on Poverty for 4 Months Unemployed (Immediate Effects)

	NO COVID-19	COVID-19: Without aid and unemployed for 4 months	COVID-19: With state unemployment only	COVID-19: With state unemployment and state bonus pay	COVID-19: With all aid
<b>A. Annual income &lt;= 100% of the poverty level</b>					
In poverty	44.2%	51.8%	49.4%	47.7%	23.8%
3,195,153	1,412,274	1,656,802	1,577,678	1,524,534	760,164
Children	57.9%	65.1%	63.2%	60.9%	33.9%
594,027	343,908	386,861	375,600	362,262	201,250
Workers in shutdown industries*	33.0%	73.7%	62.7%	57.8%	7.1%
380,610	101,850	227,433	193,426	178,437	22,053
Families that have children	54.4%	62.0%	60.1%	58.1%	32.1%
315,702	171,848	195,885	189,735	183,302	101,390
Families with children and workers in shutdown industries	47.4%	77.7%	70.8%	66.9%	8.6%
89,386	42,358	69,454	63,304	59,789	7,666
<b>B. Annual income &lt;= 130% of the poverty level</b>					
In poverty	54.5%	61.7%	59.6%	58.0%	33.3%
3,195,153	1,742,087	1,970,911	1,904,120	1,853,146	1,064,712
Children	66.4%	72.6%	70.8%	69.2%	42.8%
594,027	394,514	431,434	420,483	411,322	253,933
Workers in shutdown industries*	44.3%	80.4%	72.7%	67.8%	9.1%
380,610	136,590	248,126	224,456	209,292	28,015
Families that have children	62.8%	69.7%	67.7%	66.1%	41.1%
315,702	198,321	219,990	213,867	315,702	129,618
Families with children and workers in shutdown industries	58.6%	85.0%	78.1%	74.5%	10.9%
89,386	52,370	75,941	69,818	66,634	9,787

\*Salaried employees, day laborers, and self-employed individuals in industries shutdown due to the pandemic.

## Annual Effects on Poverty

**Figure 4.2** shows the annual effects on poverty where four months of unemployment are projected. In these projections, four (or six) months of unemployment are considered per year, with the rest of the year assuming employment. Since annual income is being considered, the effects on poverty are not as high as when considering the immediate impact in those four months. In other words, a reduction in each family's annual income is estimated here for the 4-month loss of wages due to COVID-19.

Without any aid, the pandemic increases the annual poverty rate by one percentage point and the measured poverty rate to 130%, by two percentage points. The increase in the child poverty rate is similarly small. The small increase is due to the fact that we project that after a four-month loss of employment, the worker will find employment at the same level as before the pandemic for the rest of the year. In the yearly scenario, the effects are concentrated on the affected employees. Without any type of aid, COVID-19 increases poverty for workers in shutdown industries by 9 to 10 percentage points, depending on whether the poverty level is 100% or 130%. Aid such as state unemployment, occupational bonuses, and \$500 for self-employed individuals reduces poverty between 2 to 4 percentage points, a significant contribution. However, it is federal aid that successfully lifts families out of poverty. The poverty rate of families with children would drop from 55% with COVID-19 and without aid to 44%. The poverty rate of households with children and workers in shutdown industries drops from 52% to 23%.

We do not know for sure how long workers in shutdown industries will be unemployed. If, instead of four months of unemployment, six months are assumed, the child poverty rate would increase by 4 percentage points; 58% without COVID-19 to 62% with COVID-19 and without aid, as shown in panel A and columns two and three of **Figure 4.4**. With federal and state aid (column 4), annual child poverty is reduced to 48%.

The results of four or six months of unemployment highlight the need for reintegration into the job market with the necessary safety precautions after the COVID-19 pandemic. It is remarkable that just a two-month difference in unemployment makes a big difference in poverty and in the economic security of families. Going back to work requires balancing health with the economic impact and the availability of employment supports with necessary safety measures such as childcare, open schools, training, and employer incentives.

In the three scenarios displaying immediate effects, effects at four and six months within a one-year period, the assistance is a combination of aid to workers and individuals or families, regardless of their employment status. The effects demonstrate that eradicating poverty will require that both populations be served.

Figure 4.3. Projected COVID-19 Pandemic Effects  
on Annual Poverty

	NO COVID- 19	COVID-19: Without aid and unemploye d for 4 months	COVID-19: With state unemploymen t only	COVID-19: With state unemploymen t and state bonus pay	COVID- 19: With all aid
A. Annual income <= 100% of the poverty level					
In poverty	44.2%	45.4%	44.2%	43.7%	34.6%
3,195,153	1,412,274	1,449,223	1,413,959	1,395,859	1,104,821
Children	57.9%	58.6%	57.3%	56.6%	47.2%
594,027	343,908	347,885	340,430	336,118	280,204
Workers in shutdown industries*	33.0%	41.9%	38.9%	35.5%	13.8%
380,610	101,850	129,279	113,755	109,609	42,616
Families that have children	54.4%	55.2%	53.9%	53.3%	43.8%
315,702	171,848	174,279	170,241	168,189	138,265
Families with children and workers in shutdown industries	47.4%	52.6%	48.1%	46.6%	23.0%
89,386	42,358	47,042	43,004	41,676	20,561

B. Annual income <= 130% of the poverty level					
In poverty	54.5%	56.2%	55.2%	54.6%	45.8%
3,195,153	1,742,087	1,797,388	1,765,241	1,746,168	1,464,940
Children	66.4%	68.1%	67.2%	66.3%	57.7%
594,027	394,514	404,751	399,162	393,707	342,726
Workers in shutdown industries*	44.3%	54.3%	49.6%	48.0%	24.5%
380,610	136,590	167,593	153,127	148,158	75,665
Families that have children	62.8%	64.7%	63.6%	62.9%	54.5%
315,702	198,321	204,268	200,935	198,562	172,157
Families with children and workers in shutdown industries	58.6%	66.1%	62.4%	60.7%	37.9%
89,386	52,370	59,107	55,774	54,286	33,897

\*Salaried employees, day laborers, and self-employed individuals in industries shutdown due to the pandemic.

Figure 4.4. Projected COVID-19 Pandemic Effects on Annual Poverty- 6 Months Unemployed/6 Months Employed

	NO COVID-19	COVID-19: Without aid and unemployed for 6 months	COVID-19: With all aid
A. Annual income <= 100% of the poverty level			
In poverty	44.2%	47.4%	35.2%
3,195,153	1,412,274	1,513,376	1,126,055
Children	57.9%	61.8%	48.2%
594,027	343,908	367,104	286,293
Workers in shutdown industries*	33.0%	49.6%	15.2%
380,610	101,850	152,957	46,807
Families that have children	54.4%	58.1%	44.9%
315,702	171,848	183,568	141,894
Families with children and workers in shutdown industries	47.4%	61.3%	25.9%
89,386	42,358	54,823	23,199

B. Annual income <= 130% of the poverty level			
In poverty	54.5%	58.0%	46.6%
3,195,153	1,742,087	1,853,968	1,487,888
Children	66.4%	68.6%	59.0%
594,027	394,514	407,627	350,360
Workers in shutdown industries*	44.3%	55.3%	25.9%
380,610	136,590	170,554	79,870
Families that have children	62.8%	65.1%	55.6%
315,702	198,321	205,659	175,587
Families with children and workers in shutdown industries	58.6%	67.1%	40.3%
89,386	52,370	59,948	36,029

## Typical Scenarios

Figures 4.5A and 4.5B depict the situation of two families. Scenario A is that of a family consisting of a mother who works as a cashier in a clothing store and has a girl and a boy. While Scenario B represents a couple having two children, where the father works as a security guard and the mother does not have paid work. In both families, there is a four-month loss of employment due to COVID-19. As indicated by the immediate effects projections, these families fall into poverty due to unemployment, and unless aid arrives in a timely fashion, they will suffer the ravages of poverty for as long as they are unemployed. When annual income and aid are quantified, the family in scenario A receives \$14,535 in aid, in addition to the Work Credit (Tax Credit) or state EITC. The family in scenario B gets \$16,040. The aid received moves the first family away from poverty. The second family loses \$8,851 in wages, but gains \$16,040 in aid.



Figure 4.5 Economic Effects of the COVID-19 Pandemic: Typical Scenarios

## A Scenario



Annual income prior to COVID-19:  
\$16,582

Income with local unemployment  
benefit due to

COVID-19: \$14,677

Federal aid income due to COVID-  
19 + Tax Credit: \$26,477

Mother with two children, employed in a clothing store, with an annual income of \$15,082 in 2019.

Poverty threshold for 2020 is \$21,720

No COVID-19:

- Annual income based on salary + Tax Credit: \$16,582
- Her income and the Tax Credit put her at 76% of the poverty level.

With COVID-19:

- She is unemployed for 4 months due to the shutdown and her annual salary is reduced to \$11,941
- Receives the following aid totaling \$14,536:
  - Local 16-week unemployment benefit (\$171 weekly): \$2,736
  - Federal 16-week unemployment benefit (\$600 weekly): \$9,600
  - Federal Family First Incentive (\$1,200 per adult and \$500 per child): \$2,200

New family income with COVID-19 aid and Tax Credit: \$26,477

With federal and state benefits, this family could get out of poverty and have an income that is 22% above the poverty level. Without federal incentives, this family's income would have been \$14,677, leaving them at the 68% poverty level.

## B Scenario



Annual income prior to COVID-19:  
\$30,380

Income with local unemployment  
benefit due to COVID-19: \$24,189

Federal aid income due to COVID-  
19 + Tax Credit: \$37,189

Couple with two children, one parent is employed as a security guard and has an annual salary of: **\$30,000**

The poverty threshold for a family of 4 with 2 children in 2018: **\$26,200**

No COVID-19:

- Annual income based on salary + Tax Credit: **\$30,380**
- Their income and the Tax Credit place this family at 16% above the poverty level.

With COVID-19:

- He is unemployed for 4 months due to the shutdown and his annual salary is reduced to **\$21,149**
- Receives the following aid totaling **\$16,040**:
  - Local 16-week unemployment benefit (\$190 weekly): \$3,040
  - Federal 16-week unemployment benefit (\$600 weekly): \$9,600
  - Federal Family First Incentive (\$1,200 per adult and \$500 per child): \$3,400

New family income: **\$37,189**

With federal and state benefits, this family could get out of poverty and have an income that is 42% above the poverty level. Without federal incentives, this family's income would have been **\$24,189**, which puts them below the poverty threshold.

## Summary of Projections

Loss of employment for four months causes a significant increase in poverty rates during those months. The child poverty rate increases from 58% before COVID-19 to 65% with the pandemic and without government aid. A total of 244,000 additional people are plunged into poverty, including 43,000 children. When annual income is calculated taking into account the loss of four and six months of employment, the effects are smaller, however there is still a 1- and 14-percentage point increase in poverty, depending on the population considered and the period of unemployment. Federal and state aid is crucial and manages to reduce poverty below pre-COVID-19 levels. These results point to four main subjects impacting public policy:

1. **To counteract the negative effects of COVID-19, aid should reach families as soon as possible.** However, at the time this document was written, the Department of the Treasury did not yet have the applications available so that those who do not fill out forms can receive their direct cash transfers. Funds to keep daycare centers open have also not been received, and many individuals have yet to receive their federal unemployment payments. A government that works better for everyone makes a difference in terms of whether or not a family has money to cover their basic needs during COVID-19.
2. **The effects on poverty will depend on how quickly the economy returns to normal and workers rejoin the job market.** For this reason, public policies aimed at facilitating entry into the job market with the necessary safety protocols in place and striking a balance between health and economic activity, are crucial in reducing poverty in the time of COVID-19.
3. **The impact of direct cash transfers suggests that they are a valid policy to combat child poverty.** Poverty has negative consequences both for children and for the economic development of Puerto Rico. Experience with the aid provided in response to COVID-19 brings to light that cash assistance that reaches poor families directly is a valid policy to combat poverty.

4. **For aid to be more far-reaching, it should cover families with and without employed individuals:** In Puerto Rico, many of the children who live in poverty live in households without employed individuals. Therefore, these families do not benefit from aid intended for employed individuals. COVID-19 aid is proof of how assistance to working families and those out of work can be combined in order to reduce both poverty and extreme poverty. With regard to federal aid, this is reflected in the direct money transfers that families and their children ages 0-16 receive and the pandemic unemployment payment of \$600 a week. State aid, however, has been focused on workers.

The projected outcomes are contingent upon the following:

1. The outcomes assume that all families eligible for aid would receive it. Where that is not the case, the reduction in poverty would be less.
2. In light of COVID-19 and even with all the aid available, many families would still be dispossessed, especially those living in extreme poverty. Many may not have employed family members, and direct cash transfers are not enough to lift them out of poverty.
3. Although efforts were made to identify those not eligible for direct cash aid, it was not possible to identify everyone ineligible so as not to provide them with the aid. Thus, the reductions in poverty may be slightly less than those projected.
4. Although poverty is significantly reduced with aid, it should be kept in mind that this aid is temporary. When the COVID-19 pandemic subsides, and in the absence of long-term measures, Puerto Rico's child poverty rates can return to their "normal" levels of 58%, which in and of themselves are extremely high.



## Short- and Long-Term Recommendations

Based on the vulnerabilities of families shown in **Figure 2**, the projected effects on poverty and the opportunities presented by the funds in response to the COVID-19 emergency, the following are short-term recommendations, which can be implemented in a period of 3 to 6 months, and long-term recommendations, which can be implemented after 6 months. **Figure 5** shows the recommendations, which are further detailed in this section.

## Public Policy Recommendations to

# COVID-19

### SHORT TERM

#### Economic Security

- 1 Promote local Earned Income Tax Credit (EITC)
- 2 Having the federal Congress extend Child Tax Credit (CTC) to Puerto Rico
- 3 Credit for employers
- 4 Cash emergency aid
- 5 Focus federal COVID-19 aid for college students on the students who need it most
- 6 Increase access to childcare for the children of essential workers
- 7 Stabilize the supply of childcare so that providers are available when workers return to their jobs

#### The Digital Gap

- 1 Provide Internet access to families in greater need
- 2 Speed up the purchase of tablets for online education

#### Food Security

- 1 Enable the Pandemic EBT program in Puerto Rico
- 2 Expedite the disbursement of WIC aid
- 3 Ensure access for all children living below or near the federal poverty level to the Nutrition Assistance Program (NAP)

#### Government Operations

- 1 Improve the agencies' ability to respond to the needs of children and families
- 2 Uniform long-distance K-12 education

### LONG TERM

- 1 Strengthen early childhood and childcare systems.
- 2 Develop sectorial job-training programs with a focus on growing industries and that prioritize young adults and parents.
- 3 Develop a tax credit program for businesses that provide first jobs to youths and all those with dependents 18 and under.
- 4 Strengthen the government's social and economic support system.

## Short-Term Recommendations

In the short term, federal and local governments should address the needs of families with children while reducing the impact of COVID-19 on health and the economy by taking swift action. The recommendations in this section focus on a period of 3 to 6 months and address the vulnerabilities of families and context, which amplify the COVID-19 crisis effects.

### 1. Policies to Strengthen the Economic Security of Families

This group of policies addresses the vulnerability related to having low income, lack of employment, and facing difficulties that female heads of household who work have to deal with during the pandemic. The recommended policies promote employment, make work pay, put money in people's pockets, and support employment, all with the purpose of protecting the economic security of families with children.

#### *1.1 Support the State Earned Income Tax Credit (State EITC)*

As part of the strategy to open up the economy, pursuing policies that make employers pay is a must. Tax credits that manage to increase the net income that working families bring home are important to incentivize work. For this reason, the Department of the Treasury should make a strategy for the dissemination of information and guidance on access to the local EITC viable in order to increase the income of families with children who are part of the job market. This can be done through educational campaigns, partnerships with non-profit organizations, orientation guidelines developed in collaboration with other service agencies, and using mass media such as television and radio. It should start immediately to incentivize workforce participation and not just during the state tax season.

#### *1.2 Congress should approve the Child Tax Credit (CTC) for Puerto Rico*

Congress should approve the expansion of the CTC to families in Puerto Rico with one or two children, since this can help low-income working families recover from economic losses caused by the health emergency, supplement unexpected expenses,



and serve as an incentive to join the job market. In Puerto Rico, only families with three or more children are eligible for this credit, which represents approximately 11% of all families with children in Puerto Rico.<sup>34</sup> We recommend the adoption of the H.R. 5687 bill, which includes the expansion of the CTC and earthquake disaster aid for the southwestern region of Puerto Rico, which was approved by the Federal House of Representatives and is currently stalled in the Federal Senate.<sup>35</sup> Similarly, the CTC was included in the H.R. 6800, known as the HEROES Act, which was passed by the Federal House of Representatives and is waiting to be considered by the Federal Senate.

### *1.3 Employer Tax Credits*

Both the local and federal governments should set aside funds to protect the salaries of employees of small- and medium-sized companies for at least one month in case strict physical distancing measures due to COVID-19 are in place for a longer amount of time or they may have to be implemented in the future after a new outbreak of the virus. The local government has allocated a total of \$350 million for the private sector payroll protection program, however this fund could be supplemented through tax credits for companies that guarantee the salaries of their employees during this period of time.

### *1.4 Emergency Cash Aid*

Many families in extreme poverty do not have enough income to meet the demands of COVID-19, such as buying protective equipment or paying for private transportation when public transportation is not available. It is not unusual for these families to have a low and sporadic income from informal jobs that cannot be done during the lockdown. For this reason, we propose there be a cash emergency fund for these families. TANF benefits recently increased for families with children, from an average

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<sup>34</sup> Enchautegui, María E., Brayan L. Rosa, and Caridad Arroyo. "Un Futuro de Pobreza Infantil: Cuánto nos cuesta y qué podemos hacer. San Juan: Instituto del Desarrollo de la Juventud, 2020.

<sup>35</sup> "H.R.5687 - Emergency Supplemental Appropriations for Disaster Relief and Puerto Rico Disaster Tax Relief Act, 2020," 116th Congress (2019-2020) <https://www.congress.gov/bill/116th-congress/house-bill/5687>



of \$89 to \$128<sup>36</sup>. The TANF benefit block provides flexibility to give emergency aid. Before COVID-19, TANF's emergency fund had only \$40,000 and, in order to save on aid, they were only provided to families behind on electricity and water bills. This fund should be increased, supplemented by state funds, and not limited to being aid for the payment of utilities. This would mean that the Administration for the Socio-Economic Development of Families (ADSEF), in conjunction with the central government, should use a strategy whereby state and federal funds would be combined to meet this need.

### *1.5 Channel Federal Aid for College Students in Response to COVID-19 towards the Students who Need it Most*

The federal government has allocated \$324 million for emergency aid to higher education institutions in Puerto Rico in response to the pandemic caused by COVID-19.<sup>37</sup> The federal government gave universities discretion in determining how they will use available funds to deliver student aid.<sup>38</sup> We recommend that the institutions receiving this aid formalize transparent processes regarding its allocation and that they give priority to: low-income students, students with children, first-generation students, and foreign students. The University of Southern California (USC) is an example of how some universities have distributed this aid. It established an application process where students who demonstrate a greater need during the COVID-19 emergency can be selected.<sup>39</sup>

### *1.6 Increase Access to Childcare for Essential Workers*

To reduce the instability that a pandemic shutdown may have for preschool-age children and to stabilize the child care market, the federal government allocated funds and has developed guidelines for the Child Care Fund. We recommend that the

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<sup>36</sup> "Anuncian Aumentos para los Beneficiarios de la Tarjeta Única." *Primera Hora*, 30 de abril 2020.

<https://www.primerahora.com/noticias/puerto-rico/notas/anuncian-aumento-para-los-beneficiarios-de-la-tarjeta-unica/>

<sup>37</sup> U.S. Department of Education. CARES Act. "Allocations for Section 18004(a)(1)," 2020.

<https://www2.ed.gov/about/offices/list/ope/allocationstableinstitutionalportion.pdf>

<sup>38</sup> U.S. Department of Education. "CARES Act: Higher Education Emergency Relief Fund." May 8, 2020.

<https://www2.ed.gov/about/offices/list/ope/caresact.html>

<sup>39</sup> Wang, Karen, Ella Katz Michael Tseng, and Kaidi Yuan. "USC to distribute at least \$9.6 million federal emergency grants to students financially impacted by COVID-19: Each student applying for the fund could receive up to \$3,000" *USC Annenberg Media*, April 14, 2020. <http://www.uscannenbergmedia.com/2020/04/14/usc-to-distribute-at-least-96-million-federal-emergency-grants-to-students-financially-impacted-by-covid-19/>

Administration for Child Care and the Integrated Childhood Development (ACUDEN) use these funds and guidelines to (1) offer care to essential workers without considering income limits; (2) facilitate the use of multiple providers to accommodate the needs of workers with rotating shifts; (3) provide online training to family members who can offer care; and (4) extend subsidies to daycares that are not currently participating in the Child Care Program.

### *1.7 Stabilize the Child Care Market so that Providers will be Available when Workers return to their Jobs*

CARES allocated funds through the Child Care Program to stabilize the child care market. The Administration for Child Care and the Integrated Childhood Development (ACUDEN) should ensure that the allocated funds reach providers, even if the daycare is closed or the children are not attending. These funds are necessary for the cleaning and sanitation of the facilities, as well as the continuity of pay. As part of the government's strategy to reopen the economy, it is essential to guarantee the financial stability of care providers so that workers can enter the economy. For this to be possible, it is important to recognize the importance these child care programs have in the economy. According to the study, *A Future of Child Poverty in Puerto Rico: How Much it Cost and What We Can Do About It*, the impact that access to an integrated system for early childhood development and preschool education can have on child poverty is significant for this population and the economy. As of the date of this report, there has been no feedback from the central government in response to this issue.<sup>40</sup>

## **2. Food Security Policies**

These policies focus on guaranteeing the basic need that is food security for families with children. As is observed in **Figure 2**, 1 out of 4 families with incomes at or near the poverty level do not receive help from the NAP. Although food aid such as NAP and WIC does not factor into the economic calculation for poverty, food is perhaps the

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<sup>40</sup> [https://www.elvocero.com/economia/olvidados-los-cuidos-de-ni-os/article\\_4be56104-919b-11ea-a478-8bd8c3264105.html](https://www.elvocero.com/economia/olvidados-los-cuidos-de-ni-os/article_4be56104-919b-11ea-a478-8bd8c3264105.html)

item that is most immediately impacted by COVID-19 and it requires, as recommended in the projections section, swift action by the government.

### *2.1 Activate the Pandemic EBT Program for Puerto Rico*

U.S. Congress should give Puerto Rico access to the resources that were allocated for the federal Food and Nutrition Service (FNS) Pandemic EBT (P-EBT) program. This program provides resources so that if schools within a school district remain closed for at least 5 consecutive days during the health emergency in a period when schools should be open, the households that would have access to the school cafeteria may receive a stipend equivalent to the cost of food. This stipend could be between \$114 and \$133.20 per month per child (P.L. 116 - 136).<sup>41</sup> So far, at least 31 states have requested access to this program and others are still being added.<sup>42</sup> This provision was included in the HEROES Act (H.R. 6800) that was approved by the federal House of Representatives with the condition that a study be carried out before to measure the feasibility of implementing the program in Puerto Rico. We recommend that this feasibility study be accelerated without having to wait for the next federal aid package to be approved in order to mitigate the effects of COVID-19. In this way, the test will be finalized by the time access to funds is approved, and the funds will then be accessed without delay. Once this program becomes viable for Puerto Rico, the Department of Education together with the Department of the Family should create the administrative framework to make it work.

### *2.2 Streamline Disbursement of WIC Assistance*

To streamline WIC aid, investments should be made to modernize the system that provides those services in Puerto Rico, the disbursement of aid to families with children should be swift. The use of checks creates a problem at the point of distribution in situations such as the COVID-19-induced distancing. This problem can be solved by

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<sup>41</sup> U.S.A. Congress. "An Act: To amend the Internal Revenue Code of 1986 to repeal the excise tax on high cost employer-sponsored health coverage." <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>

<sup>42</sup> U.S. Department of Agriculture. Food and Nutrition Service. "State Guidance on Coronavirus Pandemic EBT (P-EBT)," May 7, 2020. <https://www.fns.usda.gov/snap/state-guidance-coronavirus-pandemic-ebt-pebt>

adopting an electronic and automatic deposit system using a card. The Department of Health, as well as the federal government, should provide funds to guarantee that families with children in Puerto Rico can use this important service to the fullest.

### *2.3 Ensure NAP Access to All Children Living in or close to Poverty*

Congress should allocate an additional \$1.27 billion for Puerto Rico's Nutrition Assistance Program (NAP) to make it comparable to SNAP, as was requested by the governor in her letter to Congress.<sup>43</sup> Puerto Rico does not have access to the federal Supplemental Nutrition Assistance (SNAP) program, but rather has a program known as NAP, which is funded by a block grant. This program provide assistance to families so that they may purchase food, however NAP has been notoriously underfunded compared to SNAP, putting the food security of thousands of children in Puerto Rico at risk. Furthermore, as mentioned above, almost 1 out of 4 families with an income of up to 130% of the federal poverty level do not receive NAP assistance. In the COVID-19 response aid provisions, around \$347 million was approved for the program, however, this leaves a gap of about \$900 million between the programs, so that Puerto Rico may provide aid comparable to that of US. The goal should be that all families with an income of up to 130% of the federal poverty level are eligible to receive NAP.

## **3. Policies to Bridge the Digital Gap**

These policies address the vulnerability of lack of technology identified in **Figure 2**. The policies focus on providing resources for Internet access and, in this way, lend continuity to education. This need arises because the limited income of some families does not allow for the purchase of a computer nor can it cover the monthly Internet service payment.

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<sup>43</sup> Delado, Jose. "Wanda Vázquez pide más asistencia federal para evitar el colapso del sistema de salud." *El Nuevo Día*. April 9, 2020.  
<https://www.elnuevodia.com/noticias/estatales/nota/wandavazquezpidemasasistenciafederalparaevitarelcapsodelsistemadesalud-2560033/>

### *3.1 Provide Internet Access to Families who Need it Most*

Physical distancing is a strategy used to stop the spreading of COVID-19. For this purpose, executive orders have been issued to carry out these recommendations. However, this created a myriad of difficulties for those families who do not have access to the Internet. First, families who wish to access government aid will face difficulties in filling out online forms and/or attaching official documents, as it is required in services such as the NAP, Unemployment Insurance. Second, families with children who need the Internet to participate in virtual classes, seek resources for assignments, among other educational needs, are at a disadvantage. For this reason, we recommend that the government provide resources to facilitate access to Internet services, as the city of Boston has been able to do.<sup>44</sup> At the same time, private companies in Puerto Rico should guarantee internet access for families with economic hardships who cannot make payments on time and be more flexible with regard to collection protocols, as other companies in the United States have been able to do.<sup>45</sup>

### *3.2 Streamline the Purchase of equipment for Online Education Access*

During the last three years, the education system in Puerto Rico has faced various crisis scenarios due to natural disasters. Hurricanes Irma and Maria in 2017, earthquakes in the southwestern region during January, and now the COVID-19 public health emergency have left students without educational services for extended periods of time. These same students may be the least able to face disruptions in education, considering their poor performance on the most recent standardized tests.<sup>46</sup> In response, the state government has earmarked funds for the purchase of electronic equipment and software for online education. The recommendation is to streamline the purchase of this equipment so that public school students can participate in online

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<sup>44</sup> U.S. City of Boston. "Internet Connectivity and Technology Supports During Covid-19 Response," *Innovation and Technology*. May 1, 2020. <https://www.boston.gov/news/internet-connectivity-and-technology-supports-during-covid-19-response>

<sup>45</sup> NCTA. "Responding to the COVID-19 Outbreak," The Internet & Television Association. <https://www.ncta.com/response>

<sup>46</sup> U.S. The Nation's Report Card. "Higher fourth-grade mathematics scores in nine states/jurisdictions compared to 2017" NAEP Report Card: Mathematics <https://www.nationsreportcard.gov/mathematics/states/scores/?grade=4>

education. It is important that these resources be in the hands of students before heading into the next school year, in August 2020, in order to ensure that they have the necessary tools to manage other possible disruptions to their learning time.

#### 4. Policies to Improve the Function of Government

In the context section, we discussed how lack of trust in the government can put a COVID-19 response at risk, and in the projections section, we demonstrated how the government's slowness in providing aid can result in many families being unable to meet their basic needs during the pandemic. In order to improve government services so that they can work better for families, two recommendations are made.

##### *4.1 Improve Agencies' Ability to Respond to the Needs of Families and Children*

Experience with online applications for NAP and unemployment insurance, as well as the slow disbursement of direct aid, uncovers government agencies' poor technological infrastructure and lack of agility. At the time this document was written and coming up on the last week of May, the Department of the Treasury had not published the application for those who do not complete forms to request their federal stimulus aid. During the pandemic, it is important that systems are up-to-date and efficient in processing applications, in order to deliver aid to families as quickly as possible. Agency leaders have to act effectively to streamline processes, reassign staff, establish priorities, equip staff with the right tools, and establish swift and transparent recruitment processes.<sup>47</sup>

##### *4.2 Standardize Distance K-12 Education*

Education is the most direct and far-reaching service that the government provides to children. Closing schools during COVID-19 without a uniform online education plan

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<sup>47</sup> Ramsey Fahs, Nehal Mehta, Jim Pallotta, Rachel Riley, Sarah Tucker-Ray, Hrishika Vuppala, and Rob Whiteman. "COVID-19: How American states can manage the surge in unemployment services." McKinsey and Company, 2020. <https://www.mckinsey.com/industries/public-sector/our-insights/covid-19-how-american-states-can-manage-the-surge-in-unemployment-services>; Facing Unprecedented Spike in COVID-19 Related Unemployment Insurance Applications, NYS Department Of Labor Announces Partnerships To Boost Tech Capacity and Make It Easier for New Yorkers To File. <https://labor.ny.gov/pressreleases/2020/april-09-2020.shtm>

can result in academic lags for children who most need an education to make progress.

During a natural disaster, school closures are perhaps what causes the most instability for children. One of the lessons from Hurricane Maria, which is discussed in the YDI study, is that the long time it took to reopen schools created emotional distress to children and may have spurred outmigration.<sup>48</sup> In the context of Hurricane Maria, the study recommended that emergency curricula and emergency plans with a focus on children be developed, as well as laws stipulating a return to schools within a specified period. Mothers' responses from in-depth interviews revealed that during the pandemic, there were multiple processes necessary to carry out distance education, processes that changed daily and vary between different teachers. For example, an interviewed mother told us that just the day before (one month after the lockdown began) one of the teachers had created a Google classroom in order to offer her class. Regarding k-12 education, our general recommendation is that the Department of Education standardize distance learning processes. This entails, for example, that a certain online platform be used and/or that teaching materials be delivered in a specified place and be accessible to families without technology, and that special education students be served through face-to-face platforms.

Protocols should also be developed for special education students, who make up 25% of the students under the Department of Education. An interviewed grandmother, a public housing resident who is responsible for her three grandchildren's education in the special education track and who did not have a computer or Internet at home, told us that none of her children had done any schoolwork since the beginning of the lockdown. In this regard, we asked if anyone

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<sup>48</sup> "Los Efectos del Huracán María en la Niñez en Puerto Rico". Estudios Técnicos, Inc. & Universidad de Puerto Rico, Recinto de Río Piedras. San Juan: Instituto del Desarrollo de la Juventud, 2019. <http://juventudpr.org/wp-content/uploads/2019/01/93277.pdf?v=1.0>



had contacted her to coordinate the educational services of her grandchildren, to which she replied, "They said they would call me, but they did not call."



## Long-Term Recommendations

When the pandemic is over, it is necessary to ensure that more children do not sink into poverty and to prioritize the reduction of child poverty as a strategy that fosters economic development. The policies in this section focus on ways to integrate families into the workforce, provide them with the supports they need to maintain their employment, and improve the government's economic and social support system.

### 1. Strengthen the Early Childhood Development and Care System

The purpose of this policy is to strengthen the system of childcare and early education, in order to simultaneously support child development and provide care options for parents which would facilitate their reintegration into the workforce.

When discussing the short-term measures, recommendations were made to address the need for care during the pandemic, using the opportunities provided by the COVID-19-CCDF funds. Thereafter, ACUDEN should minimize the instability of essential worker care arrangements, by allowing the children of these workers to remain in care until the eligible age is reached, without a need for recertification.

The Child Care funds allocated as pandemic aid is intended to stabilize the provider market, since many providers may have to close permanently and when people return to their jobs, care may not be available. Since Hurricane Maria and before COVID-19, 23% of childcare centers have shut down their operations.<sup>49</sup> To this end, ACUDEN should expand the supply of providers, since access continues to be a problem for low-income families. Licensing requirements should be reviewed to ensure they are not an unnecessary, onerous burden. Currently the Child Care program only has around 5,000 participants and the Early Head Start program has 3,600 participants. However, there are more than 62,000 children between the ages of 0 and 3 living in poverty.<sup>50</sup> Although the focus of care centers has been on the quality of their service, ACUDEN should also dedicate resources to improve the quality of other types of care services, such as home care and family caregivers, which are not regulated. The proposal is that, although this type of care can continue without being regulated, ACUDEN can develop guidelines on development activities for these providers and make them available to families in need. A third recommendation is to facilitate access to mothers who work rotating shifts and who cannot guarantee full-time care or specific days. This can be accomplished by facilitating the use of multiple arrangements and encouraging providers to accept children on a daily need or drop-in basis.

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<sup>49</sup> Vázquez Colón, Brenda A. "Olvidados los cuidados de niños." *El Vocero*. May 9, 2020.

[https://www.elvocero.com/economia/olvidados-los-cuidos-de-ni-os/article\\_4be56104-919b-11ea-a478-8bd8c3264105.html](https://www.elvocero.com/economia/olvidados-los-cuidos-de-ni-os/article_4be56104-919b-11ea-a478-8bd8c3264105.html)

<sup>50</sup> Government of Puerto Rico. "Presupuesto de la Administración para el Cuidado y Desarrollo Integral de la Niñez (ACUDEN), 2020. [http://www.presupuesto.pr.gov/Recomendado2019-2020/PresupuestosAgencias/ADMINISTRACION%20PARA%20EL%20CUIDADO%20Y%20DESARROLLO%20INTEGRAL%20DE%20LA%20NI%C3%91EZ%20\(ACUDEN\).htm](http://www.presupuesto.pr.gov/Recomendado2019-2020/PresupuestosAgencias/ADMINISTRACION%20PARA%20EL%20CUIDADO%20Y%20DESARROLLO%20INTEGRAL%20DE%20LA%20NI%C3%91EZ%20(ACUDEN).htm); National Head Start Association. "2017 Puerto Rico Head Start Profile." NHSA: State-by-state Fact Sheets, 2018. [https://www.nhsa.org/files/resources/2017-fact-sheet\\_puerto-rico.pdf](https://www.nhsa.org/files/resources/2017-fact-sheet_puerto-rico.pdf)

We also recommend combining funds that can position high-quality program service providers to serve more families, regardless of their financial situation and employment status.<sup>51</sup> This means that different types of participating families, whether through the Child Care program, TANF, Workforce Innovation and Opportunity Act, Head Start, Public Housing or any other program that allocates funds for care, can be served by the same provider, eliminating bureaucratic processes and guaranteeing a mixed and integrated service delivery system.

## 2. Develop Sector-Based Work Training Programs Focused on Growing Industries that Prioritize Youth and Parents

As part of a plan to reopen the economy, a sectoral job training program should be enabled to allow families who have been disconnected from work to acquire the skills necessary to compete in the job market. While the pandemic response is being managed, which some suggest it could take years,<sup>52</sup> it is important to recognize that consumption patterns and economic structures are going to change, and will result in the need for human capital to develop new skills. Research around job training shows that a sector-based strategy is more effective, especially in programs where management seeks an in-depth understanding of necessary skills and other employer needs.<sup>53</sup> Employer participation is another effective component in training programs. WorkAdvance is a program that has shown promising results across the United States. The results of WorkAdvance's effectiveness in two years showed that sectoral programs can increase wages for low-income people. Specifically, the program showcased positive effects on workers who are 200% below the federal poverty level and who have an education level higher than high school, in most cases.<sup>54</sup>

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<sup>51</sup> Amy L. Haseltine, Denise P. Ling, and Paul Posner. "Blended and Braided Funding: A guide for Policy Makers and Practitioners." Intergovernmental Partnership. Collaboration Series AGA, 2014. <https://www.agacgfm.org/Intergov-/More-Tools/Blended-and-Braided-Funding-A-Guide-for-Policy-Ma.aspx>

<sup>52</sup> Kissler, Stephen M., Christine Tedijanto, Edward Goldstein, Yonatan H. Grad, Marc Lipsitch. "Projecting the transmission dynamics of SARS-CoV-2 through the postpandemic period," *Science*, April 14, 2020. <https://science.sciencemag.org/content/early/2020/04/24/science.abb5793>

<sup>53</sup> Schaberg, Kelsey. "Can Sector Strategies Promote Longer-Term Effects? Three-Year Impacts from the WorkAdvance Demonstration." MDRC. September 2017 [https://www.mdrc.org/sites/default/files/WorkAdvance\\_3-Year\\_Brief.pdf](https://www.mdrc.org/sites/default/files/WorkAdvance_3-Year_Brief.pdf)

<sup>54</sup> Hendra, Richard, David H. Greenberg, Gayle Hamilton, Ari Oppenheim, Alexandra Pennington, Kelsey Schaberg, and Betsy L. Tessle. "Encouraging Evidence on a Sector-Focused Advancement Strategy. Two-Year Impacts from the WorkAdvance Demonstration." MDRC. August 2016. [https://www.mdrc.org/sites/default/files/2016\\_Workadvance\\_Final\\_Web.pdf](https://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf)

### 3. Develop a Tax Credit for Employers Program that Provides First Employment Opportunities to Youth and those with Dependents under 18 Years Old

In a scenario where unemployment increases dramatically due to the COVID-19 health emergency, opening the economy will create competition for a limited number of jobs. For this reason, providing tax credits to employers can level the playing field for those described by the literature as hard to employ. Although a version of this tax credit is available to Puerto Rico at the federal level<sup>55</sup>, a local credit would be additional help so that parents can become viable candidates for a job interview. As such, we propose a job opportunity tax credit. This Welfare-to-Work Tax Credit (WWOTC) would require the creation of a provision in the local tax code that would allow employers who hire individuals with specific characteristics to claim a tax credit that is equal to the portion of the wages paid to those individuals throughout a calendar year. Likewise, many states have versions of this tax credit and the results have been positive.<sup>56</sup> Research suggests that, if designed correctly, this credit could accelerate job creation by 4%; that is, for every 100 jobs created by the economy, 4 of them would be created by employers in order to be eligible for this credit and maximize production.<sup>57</sup>

We recommend a credit for populations such as youth and parents who: 1) participate in the Nutritional Assistance Program (NAP), 2) participate in the Temporary Assistance for Needy Families (TANF) program, 3) are residents of public housing, 4) are ex-convicts, 5) participate in the Workforce Innovation and Opportunity Act (WIOA) training program, and those who have been displaced by the health emergency. An evaluation of the Michigan MEGA Tax Credit found that, even with modest success, the net tax cost per job created by MEGA averaged less than \$4,000 per work year, which is less than the benefits created by the program.<sup>58</sup>

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<sup>55</sup> Congressional Research Service. "The Work Opportunity Tax Credit 8, no. R43729, 2018b. <https://crsreports.congress.gov/product/pdf/R/R43729>

<sup>56</sup> Waltz, Palmer & Dawson. "Job Creation Tax Credits for Your Business – Across the United States." October 9, 2019. <https://www.wpdlegal.com/job-creation-tax-credits-for-your-business-across-the-united-states/>

<sup>57</sup> Timothy J. Bartik. "Taking Preschool Education Seriously as an Economic Development Program: Effects on Jobs and Earnings of State Residents Compared to Traditional Economic Development Programs." Informe preparado para la Comisión de Desarrollo Económico, 2006. [http://www.upjohn.org/preschool/full\\_report.pdf](http://www.upjohn.org/preschool/full_report.pdf)

<sup>58</sup> Timothy, Bartik, and George Erickcek. "The Employment and Fiscal Effects of Michigan's MEGA Tax Credit Program." *Upjohn Institute Working Paper*, No. 10-164. Kalamazoo, 2010. <https://doi.org/10.17848/wp10-164>.

#### 4. Strengthen the Government's Social and Economic Support System

COVID-19 forces us to examine the government's system of social and economic support for families, specifically for those to whom so many important and daily events threaten their economic security. In the context of COVID-19, a government support system has to be available when health is at stake and it has to be balanced with economic activity. The social and economic support system should: 1) be friendlier to low-income working families, expand access to the NAP for families with an income of up to 130% of the poverty level and eliminate sudden drops in benefits when there are marginal increases in income (benefits cliff); 2) increase block allocations to better serve families and include automatic provisions that address unexpected increases in the number of participants; 3) include a higher proportion of state funds to be able to react quickly during emergencies; 4) invest in the human resources and technology of agencies so as to better serve the public; and 5) build a culture of evaluation and evidence-based practices to obtain information on what is effective in fostering the economic mobility of families.

Direct cash transfers should also be part of the government's social and economic support system. Projections show that giving cash incentives helps eradicate child poverty. We propose a universal grant for minors of \$100 or \$150 per child each month to be provided by the local government. There is extensive and potentially generalizable evidence that money transfers have reduced the depth and severity of poverty.<sup>59</sup> These transfers could serve as a buffer against the ill effects of poverty among families in extreme poverty. In the United States, some experts have proposed this policy and in recent public discussions, the Speaker of the United States House of Representatives has been talking about a universal basic income.<sup>60</sup> According to the study, *A Future of Child Poverty in Puerto Rico: How Much it Cost and What We Can*

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<sup>59</sup> Ćirković, Stevan. "Bolsa Família in Brazil". Centre for Public Impact, BCG Foundation. September 2, 2019. <https://www.centreforpublicimpact.org/case-study/bolsa-familia-in-brazil/#management> ; Lieff Benerly, Beryl. "Mexico's Model Conditional Cash Transfer (CCT) Program for Fighting Poverty." RBF Health, 2010. [https://www.rbfhealth.org/sites/rbf/files/RBF\\_FEATURE\\_Mexico3.pdf](https://www.rbfhealth.org/sites/rbf/files/RBF_FEATURE_Mexico3.pdf)

<sup>60</sup>National Academies of Sciences, Engineering and Medicine 2019. "A Roadmap to Reducing Child Poverty." Washington, D.C.: The National Academies Press, 2019. <https://doi.org/10.17226/25246>

*do About It*, the impact of a monthly transfer of \$100 or \$150 aimed at all children in Puerto Rico would be significant in terms of poverty reduction.

A first step may be to allocate an annual \$100 million to provide emergency aid, supplement care subsidies, create coaches and occupational counselor positions in the NAP and TANF programs that could help with the transition to work and finance demonstration projects to promote the economic mobility of families. One of these demonstration projects could potentially measure the impact of direct transfers on child poverty. One of the main subjects of this study was that the impact of direct cash transfers suggests that they are a valid policy to combat child poverty. The government should invest resources to pilot the effects of this long-term aid, given that they have important implications for our economy.



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