FEDERAL RESERVE BANK PHILADELPHIA
Consumer Finance Institute
December 2021

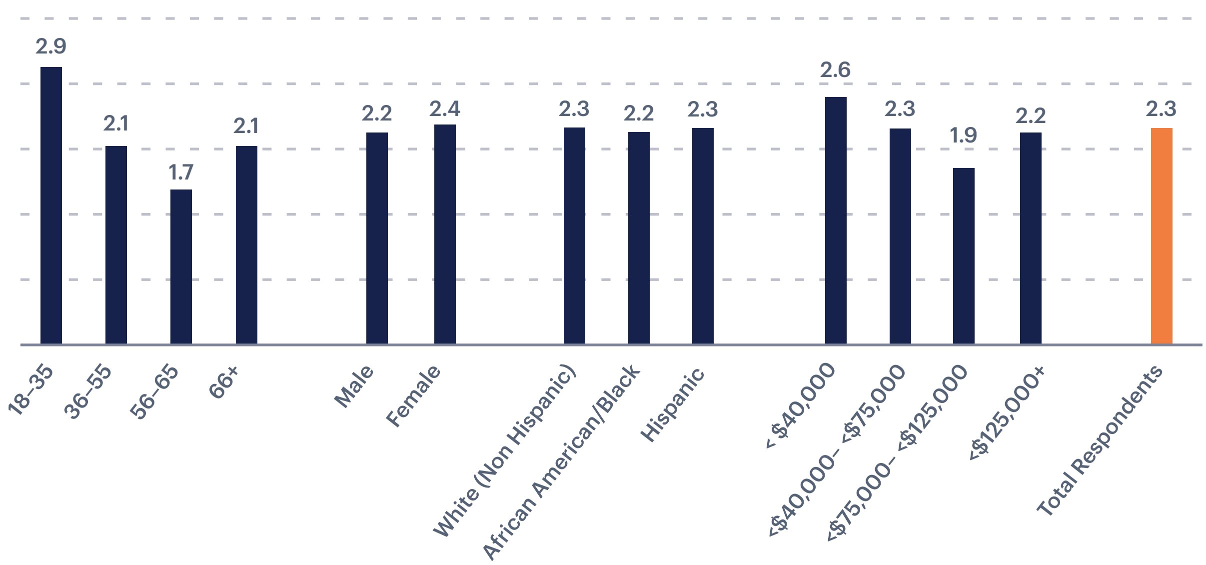
Wave 9 Research Brief: How Consumers Made Ends Meet During the COVID-19 Pandemic

The COVID-19 pandemic triggered a severe recession in the U.S. and around the world. To gauge how the unprecedented economic downturn and related surge in unemployment affected individual households, the Consumer Finance Institute (CFI) included a question in its ninth *COVID-19 Survey of Consumers* about the strategies respondents used to help make ends meet.[1] The survey found a significant percentage of consumers — mainly the young and low-wage earners — had to cut essential spending or borrow from friends or family to pay their monthly bills.

Respondents were given a list of potential strategies they might have used to help them make monthly payments on bills and debts at some point during the pandemic.[2] Just over 30 percent said they did not need to employ any extra efforts to pay their bills on time, and nearly 70 percent of households reported they had to use at least one additional measure. A key finding was that the need to strategize was not spread evenly across age and income groups.

Perhaps not surprisingly, younger and lower-earning respondents struggled the most; the financial burden was less common higher on the income ladder and among older respondents. For instance, younger respondents (those aged between 18 and 35 years) on average said they had to rely on just under three different strategies to make ends meet at some point during the crisis, whereas those aged 55 or older averaged just over two strategies. (**Figure 1**).

Figure 1: Average Number of Bill Payment Strategies Used During the Crisis



1 The survey was conducted on July 5–16, 2021, and included answers from 3,553 consumers.
2 Selecting a strategy does not imply that the respondent needed to use that strategy every month; in many, if not most cases, the strategy may have been temporary during a rough period.

About half (46.3 percent) of all consumers said they paid some of their monthly bills or debt payments by using their stimulus payments (**Figure 2**). More than three out of five (62.0 percent) low-income households (earning less than $40,000 annually) said they used this approach, while one out of five (20.8 percent) respondents earning more than $125,000 said they did. This suggests the federal assistance programs set up during the pandemic were successful in easing financial hardship because of business closings and job losses.

Cutting *discretionary* spending was the second most-often cited option for making ends meet. It was used by 28.5 percent of all respondents (**Figure 3**). This spending reduction is not surprising since discretionary items include entertainment and dining out, activities that were mostly inaccessible during the initial phase of the pandemic lockdowns. But again, changes in discretionary spending varied greatly across the demographic groups. The survey showed 34.4 percent of low-income respondents cut discretionary spending, while only 19.8 percent of

Figure 2: Percentage of Respondents Using Stimulus Payments to Pay Bills

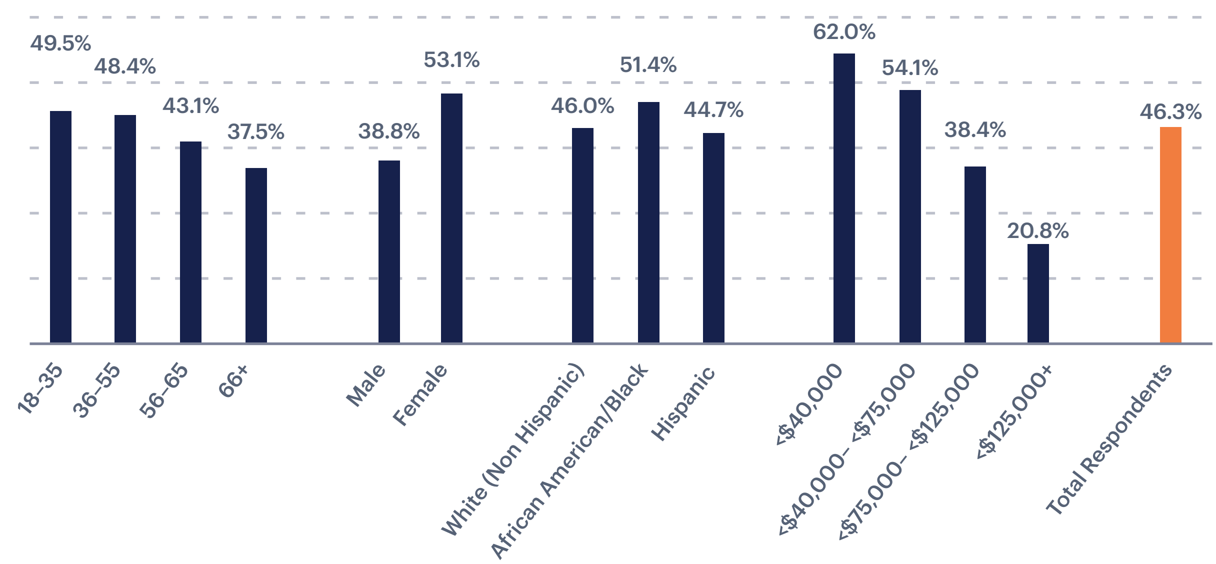
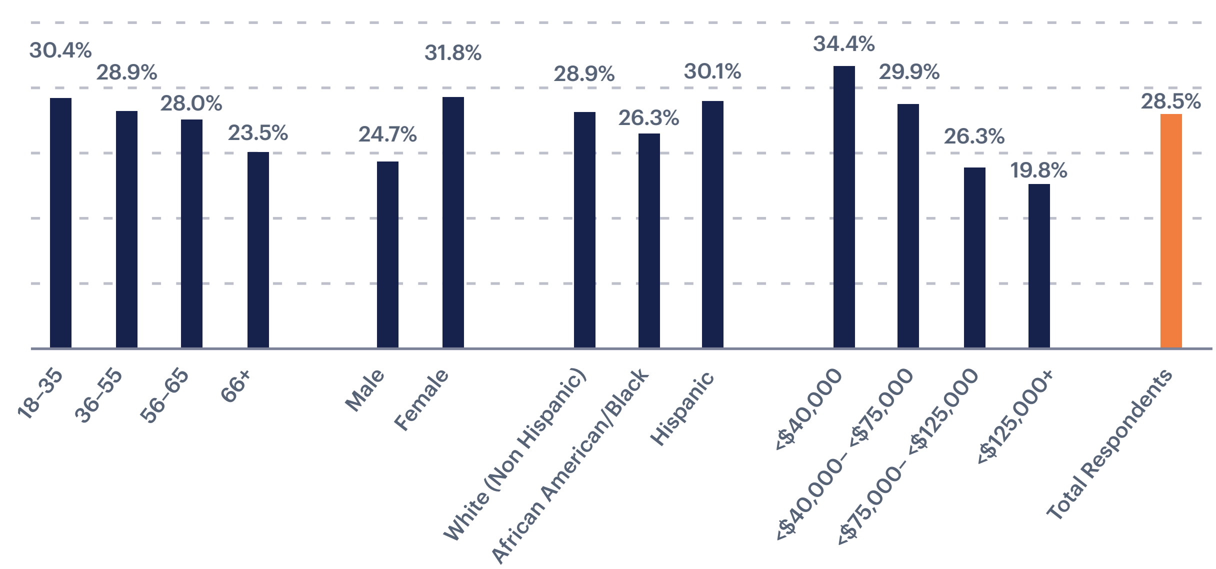


Figure 3: Percentage of Respondents Using Cutting Discretionary Spending to Pay Bills

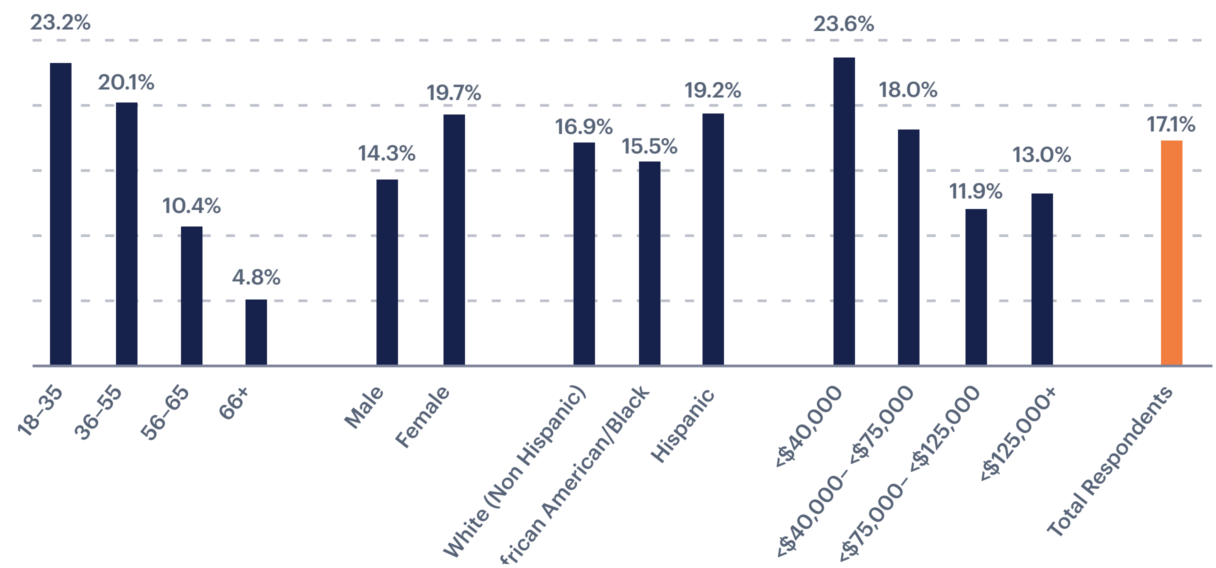


high-income households did. There was less variation across age groups; but even there, 30.4 percent of young respondents cut extraneous spending, while only 23.5 percent of those aged 66 years and older did.

The third most-frequent strategy consumers used to make monthly payments was to cut essential spending, which includes, among other things, food or medical care; 17.1 percent of all consumers reduced essential spending (**Figure 4**).[3] This was more common among low-income (23.6 percent) and younger (23.2 percent) respondents than among high-earning (13.0 percent) or older (4.8 percent) consumers.

Consumers who needed help also relied more on private, informal funding sources rather than borrowing from financial institutions. One out of six (16.6 percent) said they borrowed from friends or family to meet their budget needs, while only 10.5 percent said they borrowed on their credit cards or took

Figure 4: Percentage of Respondents Using Cutting Essential Spending to Pay Bills



3 Certain types of debt such as mortgages and student loans offered payment deferrals that may have allowed people to pay other, nondeferred bills. But because these payments were not included as examples of essential spending, it's unclear how people considered those deferrals in their responses.

out personal or payday loans (**Figures 5** and **6**, respectively). As with other strategies, tapping into a social network for funds was used most often by the young (27.0 percent) and low-income respondents (27.3 percent).

It's tempting to assume that the need to adopt unusual strategies to pay bills was limited to those directly impacted by job loss; however, the job loss rate among respondents peaked at 14.8 percent, yet more than four times that number (nearly 70 percent) of respondents reported having to use at least one strategy from the list to help pay a bill. Among our respondents, 18.6 percent reported a change in their job status during the crisis (this could include voluntary and involuntary job loss or career change). While those who experienced a change are more likely than the average to have used a payment strategy at 78.1 percent, we still see that 67.9 percent of those without a job change also had to use a strategy. It seems clear, then, that even people who remained employed during the downturn had budget challenges, whether because of shorter work hours, pay cuts, or unexpected expenses for things like childcare or transportation alternatives. As the latest *CFI COVID-19 Survey of Consumers* shows, these financial issues were felt most keenly by young and low-income respondents.

Figure 5: Percentage of Respondents Borrowing from Friends and Family to Pay Bills

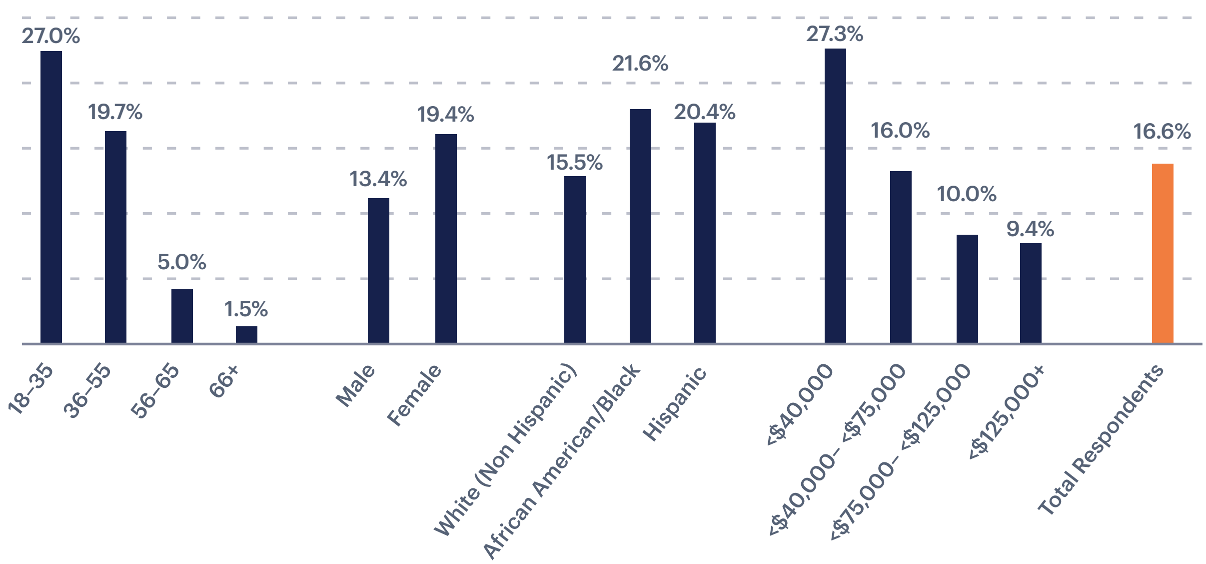


Figure 6: Percentage of Respondents Borrowing from Traditional Sources to Pay Bills