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Historic 2021 Decline in Child Poverty Proves Effectiveness of Federal Investments

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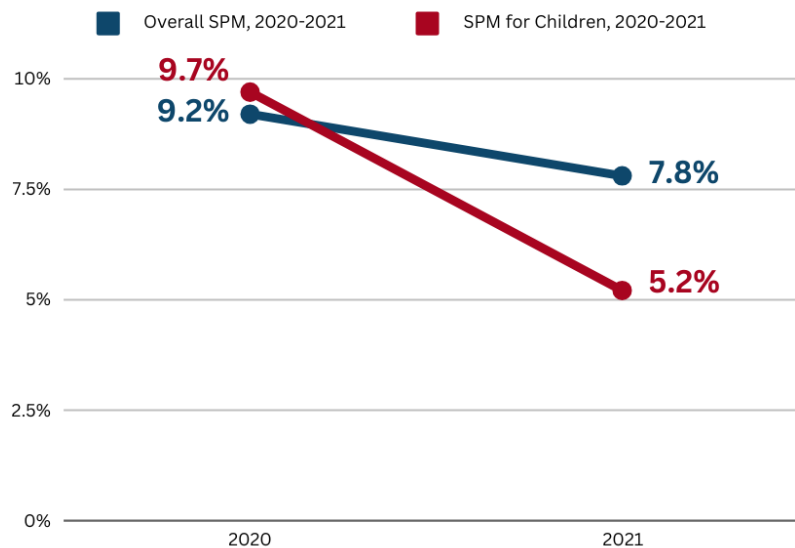
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The release of 2021 poverty and health insurance coverage data from the U.S. Census Bureau demonstrates how government action in response to the pandemic stabilized households, uplifted millions of people from poverty, and brought uninsurance rates to historic lows. However, many of these provisions were temporary and have now expired, although the need for them has not gone away. These data reinforce the urgency of permanently filling the gaps in existing programs and expanding public investment to address unmet areas of need to promote economic security and strengthen our economy overall.

In 2021, families and households continued to weather unprecedented health, caregiving, and economic challenges related to the COVID-19 pandemic. While these challenges were amplified by the pandemic, they are long-standing. Poverty in the United States is a policy choice. Even as it harms families and communities of all races, poverty is driven by demonstrably racist systems that have exploited generations of people, especially people of color, and perpetuated their socioeconomic status.¹ COVID-19 brought many of those realities to the forefront. To partially address those challenges, the federal government built upon the pandemic-related relief enacted in 2020 and passed the historic American Rescue Plan Act (ARPA) in March 2021.

The data from 2021 show that the Official Poverty Measure (OPM) is at level with last year's rate, standing at 11.6 percent.² However, when we consider the Supplemental Poverty Measure (SPM), which takes into account the effects of non-cash benefits, taxes, and the stimulus payments, we can see the impact of the past two years' economic relief packages. The SPM for 2021 is 7.8 percent which is down 1.4 percentage points from 2020.³ This is the lowest the SPM poverty rate has been since the numbers were first published and the third consecutive annual decline. The child poverty rate, as measured by the SPM, was cut nearly in half, from 9.7 percent in 2020 to 5.2 percent in 2021.

Overall SPM vs. SPM for Children, 2020-2021



Racial gaps in child poverty were also narrowed significantly, although not eliminated. The gap in the poverty rate between non-Hispanic white children and Black children fell by 51 percent, and the gap in the poverty rate between non-Hispanic white children and Hispanic children fell by 37 percent.⁴ These gains were primarily driven by the advance payments of the expanded, fully refundable Child Tax Credit (CTC), which Congress allowed to expire at the end of 2021. Similarly, the decrease in health uninsurance was driven by increased enrollment in public coverage and largely concentrated in states that have not expanded Medicaid. Temporary federal policies limited the loss of Medicaid coverage for many. Therefore, this gain is also at risk when the public health emergency expires and people's Medicaid coverage is again in jeopardy. Today's numbers show that we know how to use government to provide the foundation for stable families, thriving communities, and a prosperous nation.

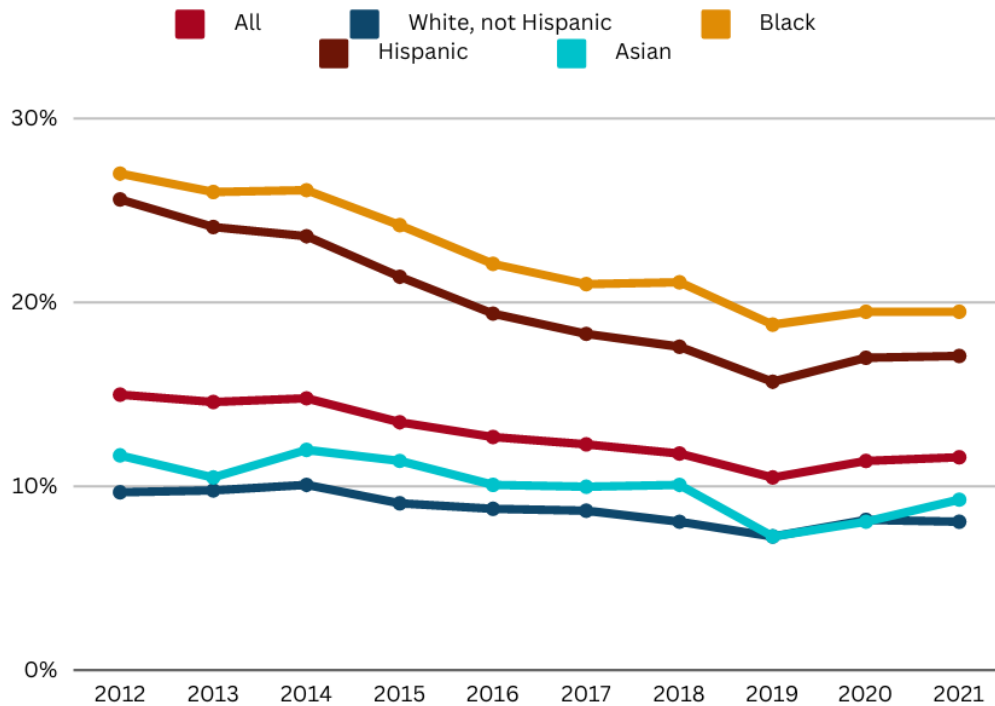
Government programs reduced poverty and racial disparities in 2021, but both challenges remained pervasive

Labor market inequities persisted

Prior to the pandemic, women, young people, and people of color dominated jobs paying low wages, which are characterized by a lack of health benefits and paid leave, along with frequently unpredictable and unstable work schedules. These challenges are further underlined for parents due to the lack of affordable and accessible child care. This is a result of historical and persistent intersecting racial and gender inequities across systems and institutions related to employment, income, education, housing and more. As many as 4 in 10 workers were underemployed—meaning they work part time but would prefer to work more hours and are unable to do so. Women, Black, and Latinx workers were overrepresented in the low-paid⁵ workforces. Forty percent of workers receiving low wages were under the age of 25.⁶ These disparities continued and were reinforced by the new inequities of the pandemic, when Black and Hispanic workers were less likely to be able to telework and more likely to have to choose between exposure to potential health risks and loss of pay.

Labor market inequities are strongly shown in the OPM, which primarily reflects income before government action. According to the OPM, the overall poverty rate was 11.6 percent, little changed from 2020. By this measure, 8.1 percent of non-Hispanic white people experienced poverty, as did 9.3 percent of Asian people, 17.1 percent of Hispanic people, and 19.5 percent of Black people. Nearly a quarter of people with disabilities were in poverty, while 70 percent of adults (18-64) in poverty worked at least one week during the year.⁷

Overall Official Poverty Rate, By Race



Note: White, Black, and Asian numbers represent non-Hispanic white, non-Hispanic Black, and Non-Hispanic Asian populations. While "Hispanics" are represented as any race.

Inequities for children were even higher, as measured by the OPM, with 27.3 percent of Black children in families with incomes under the poverty level, compared to just 8.8 percent of non-Hispanic white children.⁸ Children also suffer when their parents lack affordable child care and have jobs that require unpredictable schedules, do not pay family-sustaining wages, and lack critical benefits such as paid sick leave and health care coverage.⁹

Government programs dramatically reduced poverty—and racial gaps in poverty—for children

For understanding the impact of government programs, a better measure is the SPM, which takes into account tax credits, stimulus payments, and near-cash transfers such as food or housing assistance that are not counted in the OPM. The SPM also takes into account taxes, work-related expenses, and the variation in the cost of living across the country. The SPM shows that government programs had a historic impact on reducing child poverty and narrowing racial gaps.

As part of the American Rescue Plan Act, Congress expanded the child tax credit (CTC), which effectively created a child allowance by making the credit fully available to families with the lowest incomes for the first time, increasing the credit's value—especially for children under age 6—and delivering it in monthly installments of up to \$300 per child. According to the Census Bureau, the CTC alone lifted 1 million children under age 6 and 1.9 million children between the

ages of 6 and 17 out of poverty.¹⁰ Other key programs that were created or improved in response to the pandemic also had major impacts on child poverty—stimulus payments lifted 2.3 million children out of poverty, and the Supplemental Nutrition Assistance Program (SNAP) and school lunch lifted 1.2 million children out of poverty.¹¹ These policies matter, because children from families with incomes under 200 percent of the federal poverty line fare worse when compared to their higher-income peers on a range of health, education, employment, and economic outcomes in childhood and into adulthood.

Racial inequity allows poverty to persist across generations and exacerbates harms for Black, Hispanic, and other children of color. The 2021 data show an overall decrease in child poverty, according to the SPM rate, by nearly 50 percent. This reduction in poverty was seen across all racial groups, but the reduction was larger for white children (51.4 percent) and Black children (51.4 percent) and lowest for Hispanic children (42.8 percent).¹² This may be because children in mixed-immigration-status families are less likely to access public benefits due to complicated eligibility rules and fears about impacts on immigration status. The 2021 SPM poverty gap for Black and Hispanic children when compared with white children shrank in 2021 by 51.3 percent and 37.5 percent, respectively. However, this gap persists—despite recent reductions due to temporary government interventions—with the SPM at 8.3 percent for Black children, 8.4 percent for Hispanic children, and 2.7 percent for white children.

Research confirms that the expansion of the CTC did not just reduce the number of children living below the poverty level but also resulted in reduced food insecurity and improved child wellbeing.¹³ Unfortunately, research also shows that these gains were reversed when the monthly payments were allowed to expire at the end of 2021.¹⁴ Families reported difficulty in 2022 affording their monthly expenses—like bills, food, and groceries.¹⁵ Sixty percent of parents who had received the monthly CTC payment in 2021 reported more difficulty this year affording expenses since the payments stopped, according to a nationally representative survey. The end of the monthly payments also led to reported food hardship and increased financial stress for parents.¹⁶

Government programs had more modest but still significant impacts on adult poverty

The overall poverty rate, inclusive of government programs and refundable tax credits, decreased more modestly from 9.2 percent in 2020 to 7.8 percent in 2021 (a -1.4 percentage point difference). Adults 18-64 experienced a smaller decline in the SPM, from 8.9 percent in 2020 to 7.9 percent in 2021; adults over 65 saw an increase in SPM poverty, from 9.5 percent to 10.7 percent.¹⁷ The Census Bureau suggests that this is likely due to the large share of older adults on fixed incomes that do not respond to rising costs.

The new data show that communities of color are still experiencing disproportionate rates of poverty. In 2021, the SPM for non-Hispanic whites, stood at 5.7 percent, while poverty rates for

Asian, Hispanic, and Black people stood at 9.5 percent, 11.2 percent, and 11.2 percent, respectively. Notably, Asian people experienced an increase in poverty compared to 2020 when the poverty rate stood at 8.8 percent, a 0.7 percent increase. Additionally, although poverty rates among women declined from 9.6 percent in 2020 to 7.9 percent in 2021, they are still experiencing poverty at higher rates than men. Poverty rates for men stood at 7.6 percent in 2021. Generations of exclusionary and harmful policies across institutions such as housing, labor, health care, immigration, and the justice system have diminished the opportunity for communities of color and women to increase their social, political, and economic opportunities as compared to their white and male counterparts.

A key reason why poverty rates fell more modestly for adults than for children in 2021 is that programs that served people regardless of family status were phased out, while the CTC was at its maximum effectiveness in 2021. Stimulus payments lifted 8.9 million from poverty in 2021, down from 11.8 million people in 2020. And with the ending of Pandemic Unemployment Assistance in the middle of 2021, unemployment benefits lifted just 2.3 million people from poverty in 2021, less than half the number so helped in 2020.¹⁸

Young people and youth of color are impacted by both widespread labor market discrimination and restricted access to many public supports

The Census poverty data does not analyze young adults separately. However, CLASP analysis shows that prior to the pandemic, young adults—particularly those from communities of color—faced disproportionately higher rates of poverty, unemployment, and unmet health and mental health needs, among other measures of wellbeing.¹⁹ Young people of color experience structural and systemic factors that create barriers to decent jobs. These factors include mass incarceration and implicit biases in the criminal legal system; racism and discrimination; segregation and isolation; policy and investment failures in the K-12 and postsecondary systems; and major gaps in access to and investment in crucial supports for work, such as child care, health, and behavioral care. Adults without children are eligible for only a small Earned Income Tax Credit, are subject to time limits on food assistance, and are not eligible for Medicaid in states that haven't expanded coverage. Even when eligible, young adults find it hard to learn what benefits are available and to manage complicated application processes.²⁰ Poor early experiences when young adults are just beginning their careers can have lifelong implications.

Starting a family and achieving economic stability at work remain extremely difficult for these younger workers, many of whom may have started their careers during the Great Recession and who still struggle to balance jobs paying low wages, difficult working conditions, and inadequate child care.²¹ For young adult parents, the burden is doubled by economic hardship during critical life stages coupled with the impact that economic instability could have on their children.

In 2020, young people, and especially young people of color, were helped less by government investment than other groups. This trend likely continued in 2021 because of a lack of targeted investments.

Health insurance coverage improved modestly compared to the previous year, with the overall insurance rate at 91.7 percent, up just 0.4 percentage points

Enrollment in public insurance increased by 1.2 percent, and private insurance decreased by 0.6 percent.²² Children’s health insurance coverage climbed slightly as well, to 95 percent.²³ The provision of publicly funded health coverage, which has for decades been crucial for the wellbeing of children, seniors, and individuals with low incomes was particularly important during the public health crisis. Along with additional Medicaid funding for states, Congress prohibited states from disenrolling people from Medicaid as long as the public health emergency (PHE) is in effect. This “continuous coverage” requirement allows millions of people to stay covered under Medicaid without any interruption for the duration of the still-declared PHE and helped sustain health care coverage rates across the nation.

The gains were concentrated in states that have not expanded Medicaid—areas that, overall, have lower insurance coverage rates. This suggests that the gains may be at risk when the PHE expires and states are allowed to terminate Medicaid coverage. ARPA further made health coverage affordable by providing enhanced subsidies for people purchasing coverage through the Affordable Care Act Exchanges, allowing millions of people to buy quality plans with little or no monthly premium.²⁴ This provision was extended for another three years by the recently enacted Inflation Reduction Act.

Building on what works: moving forward on a comprehensive anti-poverty agenda

The Census reports are an unmistakable validation of the role that government can play in addressing basic needs and reducing poverty. Public investments provided critical support to those with the greatest need and put our country on track to a historic recovery, preventing those in poverty from falling further behind. This is the third consecutive year that poverty, as measured by the SPM, has fallen. Reduced poverty in 2020 and 2021 was the result of government interventions during the ongoing epidemic that included stimulus payments; unemployment insurance expansions; paid sick and paid family leave, improvements to core benefit programs such as SNAP and Medicaid, and enhanced subsidies through the Affordable Care Act; as well as the groundbreaking expansion of the Child Tax Credit.

Enacted during a severe public health and economic crisis, the American Rescue Plan Act made a difference in the lives of millions of Americans—expanding access to COVID-19 vaccines and testing, providing economic relief that kept millions out of poverty, preventing evictions and foreclosures, and helping small businesses keep their doors open. ARPA accelerated the economic recovery throughout 2021 and made it more resilient to future challenges. Studies indicate that without the ARPA’s provisions, the U.S. economy would have entered a severe recession in the spring of 2021; instead, we are on a record-breaking path to recovery.²⁵ Without this additional

government assistance, the economic and public health crises would have been deeper and longer and have done irreparable damage to the economic security of families across the country. The policies in ARPA and the Biden-Harris Administration's approach to implementing it with racial equity at the center demonstrate the potential for government programs to make a difference in people's lives. Addressing poverty today not only reduces immediate hardship, it enables people to worry less, care for their children more, have better health, and make investments in education and training. It, therefore, builds a foundation for a better tomorrow.

Unfortunately, many of the provisions that led to these outcomes have already expired. The pandemic unemployment benefits ended in the middle of 2021, and both the Child Tax Credit improvements and the more modest improvements to the Earned Income Tax Credit for workers without children in the home were limited to 2021. Several improvements to SNAP and Medicaid will end when the public health emergency expires.²⁶ The national paid family and sick leave requirements in response to COVID-19 expired on December 31, 2020, and only 11 states and the District of Columbia have paid family and medical leave programs.

In August, Congress passed the Inflation Reduction Act of 2022, which took bold steps to restore fairness to our tax system, reduce health care coverage costs, and address the climate crisis. However, critical anti-poverty policies that could address rising costs and basic needs for people with low incomes were left out of the legislation—including investments demonstrated to have strong poverty reduction components.

It's critical that policymakers build on the successes of ARPA to prioritize the urgent needs of children, youth, families, and communities. Congress should build on legislative efforts to tackle the impacts of COVID and enact permanent policies that would address many longstanding economic issues that are critical for communities with low incomes, communities of color, and immigrants. The issues Congress overlooked in the Inflation Reduction Act include child care; paid family and medical leave; expansions of the Child Tax Credit and Earned Income Tax Credit; health care for people in the 12 states that stubbornly refuse to expand Medicaid coverage; a pathway to citizenship for immigrants; and large-scale subsidized employment targeted at young people and those impacted by the criminal legal system.

Securing an Equitable Future for All

The release of income, poverty, and health insurance coverage data for 2021 from the U.S. Census Bureau demonstrates how government action in response to the pandemic uplifted millions of people from poverty and stabilized households that ultimately put this nation on the path to economic recovery. Our path forward is clear; we must continue to shore up existing programs and expand public investment to address unmet areas of need to promote economic security and strengthen our economy overall.

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Endnotes

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