
In Pandemic's Second Year, Government Policies Helped Drive Child Poverty Rate to a Record Low, Cut Uninsured Rate, New Census Data Show

Statement of Sharon Parrott, President, on 2021 Census Income, Poverty, and Health Insurance Data

Today's Census figures show government policies prevented massively higher financial hardship and lack of health insurance in 2021, as the nation continued to wrestle with the COVID-19 pandemic and recover from the resulting job loss. The expanded Child Tax Credit alone kept 5.3 million people above the annual poverty line and helped drive a stunning reduction in child poverty to a record low. Poverty overall also reached a record low and the uninsured rate dropped substantially, with Medicaid and Affordable Care Act (ACA) marketplace coverage reaching or nearing record highs.

In both 2020 and 2021, the federal government provided large-scale assistance to families and individuals in the face of an unprecedented crisis. Strengthened economic and health security policies coupled with a recovering economy and rising employment resulted in historic declines in poverty and boosted health coverage, despite the economic and health crises caused by the pandemic.

The data for 2021 show that the nation knows how to reduce poverty, broaden opportunity, and expand health coverage. Temporary measures drove progress. Policymakers should build on this experience to address the widespread insecurity and inequities that pre-dated the pandemic and will worsen if temporary relief measures aren't replaced with longer-lasting policy advances.

Poverty and Government Poverty-Reduction Policies

The new data show that due chiefly to the Child Tax Credit, child poverty fell sharply in 2021 and reached a record low of 5.2 percent, as measured by the Supplemental Poverty Measure (SPM), which accounts for taxes and non-cash benefits, among other methodological differences from the official poverty measure, in Census data that start in 2009. Indeed, we find that it is also the lowest *back to 1967*, analyzing historical data from researchers at Columbia University and adjusting 2021's poverty threshold backward for inflation. As recently as 2018, 13.7 percent of children were below the SPM poverty line, Census tables show. (The pandemic made Census figures for 2019, collected in 2020, less reliable.)

The Child Tax Credit expansion drove the large reduction in child poverty between 2020 and 2021, Census data show. In the absence of the expansion, child poverty would have fallen to 8.1 percent, rather

than 5.2 percent, and some 2.1 million more children would have lived in families with incomes below the poverty line.

The year-to-year decline in the child poverty rate was the largest on record (4.5 percentage points). Child poverty rates plunged widely across racial and ethnic groups and percentage-point differences between racial groups narrowed, though substantial inequities in child poverty remain, the SPM showed.

For Black non-Latino children, the poverty rate fell to 8.3 percent in 2021 from 17.2 percent in 2020 and 23.7 percent in 2018. This is stunning progress — in 2018 nearly 1 in 4 Black children lived in families with incomes below the poverty line. In 2021, fewer than 1 in 10 did.

Progress was similarly large among Latino and American Indian and Alaskan Native children, who also had child poverty rates well above the rate for children overall prior to the pandemic. In 2021, poverty among Latino children fell to 8.4 percent and for American Indian and Alaska Native children it fell to 7.4 percent.

In 2021, non-Hispanic white child poverty stood at 2.7 percent and Asian child poverty was 5.1 percent — substantially lower than before the pandemic.

Income supplements such as the Child Tax Credit (which provided families with children under 18 up to \$300 per month in the last six months of 2021) have been found to enhance the school performance, health, and future earnings of children in low-income families. After the strains and educational disruptions of the pandemic, this is the kind of support children need, but policymakers allowed last year's temporary expansion of the credit to expire in January. Today's figures on the credit's strong effect on poverty, combined with the timing of the expiration and the phasing out of other relief measures, suggest annual child poverty is likely to rise in 2022 without further federal action. Policymakers should pursue opportunities this year to prevent a sharp rise in child poverty by expanding the Child Tax Credit.

The decline in poverty was helped by rising employment in 2021 as the job market continued to rebound from the sharp drop in employment that occurred early in the pandemic. Today's data show that the number of working-age adults working full-time year-round rose by more than 10 million, to 110.7 million, in 2021, making up about three-fourths of the year-round employment lost in 2020. Annual average employment rates rose for all educational, racial, and ethnic categories, according to previously released Labor Department data.

For all ages combined, poverty declined for almost every racial and ethnic group when the Supplemental Poverty Measure is used. Despite this progress, however, differences in overall poverty rates (and among children) by race and ethnicity were large. The SPM poverty rate stood at 5.7 percent for non-Hispanic white people, 11.2 percent for non-Hispanic Black people, and 11.2 percent for Hispanic people. (The 9.5 percent poverty rate for people who identify as Asian was statistically unchanged.)

Health Coverage

Health insurance coverage also improved in 2021. The uninsured rate fell to 8.3 percent, down from 8.6 percent in 2020 and 8.5 percent in 2018, prior to the pandemic. For Black people, the decline in the uninsured rate was particularly steep, falling from 10.4 percent in 2020 to a record low of 9 percent in 2021.

This drop in the uninsured rate was largely due to the Medicaid continuous coverage provision, enacted in 2020 as part of COVID-19 relief legislation, which required states to keep Medicaid enrollees covered during the public health emergency in exchange for additional federal Medicaid funding. The decline in the uninsured rate was also bolstered by enhanced premium tax credits available to those who enrolled in the ACA marketplaces. On September 15, the Census Bureau will release separate health coverage estimates from its American Community Survey, which are also likely to show a substantial decline in the uninsured rate.

Despite these successes, 27.2 million people lacked health coverage at a time when many were struggling to make ends meet. And large racial and ethnic disparities persisted, with 18.3 and 9.0 percent of Hispanic and Black people lacking coverage, respectively, compared to 5.2 and 6.2 percent of non-Hispanic white and Asian people lacking coverage, respectively.

Looking ahead, analysts have projected that over 15 million people could lose Medicaid coverage when the continuous coverage provision ends (this will happen when the public health emergency ends), highlighting the need for states to minimize coverage losses by taking the administrative steps necessary to keep eligible people enrolled in Medicaid and helping those who are no longer eligible transition to other coverage. The recent extension in the Inflation Reduction Act of the enhanced premium tax credits will make it easier for people to afford ACA marketplace coverage if they no longer qualify for Medicaid, but many people losing Medicaid will need help to understand their coverage options and get enrolled.

To make further progress in expanding coverage, Congress must also close the Medicaid coverage gap, which leaves over 2 million uninsured people — 60 percent of whom are people of color — ineligible for marketplace coverage because their incomes are too low to qualify, yet they are denied Medicaid coverage because they live in the 12 states that have not expanded Medicaid under the ACA.

Income and Official Poverty Trends

Median household income stayed at 2020 levels despite rising employment, due in part to the expiration of unemployment benefits and several months of high inflation that eroded wage gains.

The official (cash-only) poverty rate remained statistically unchanged at 11.6 percent, similar to its pre-pandemic level in 2018. But because it doesn't count non-cash benefits like SNAP benefits, stimulus payments, and tax credits, this rate doesn't provide an accurate picture of poverty. That's especially true for 2021, when the federal government provided substantial help through programs the measure doesn't capture.

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