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Economic Security Programs Cut Poverty Nearly in Half Over Last 50 Years, New Data Show

Figures Highlight Programs' Effectiveness

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Using the federal government's Supplemental Poverty Measure (SPM) — a more comprehensive metric than the official poverty measure, which counts only cash income — we calculate that the poverty rate has fallen by nearly half since 1967, largely due to the growing effectiveness of economic security programs such as Social Security, food assistance, and tax credits for working families. The SPM poverty rate fell from 25.1 percent in 1967 to 13.9 percent in 2017, with most of this improvement coming from the increased anti-poverty impact of economic security programs. Earnings and other non-government sources of income did not improve sufficiently over this period to reduce poverty substantially.[1] At 13.9 percent, the SPM poverty rate in 2017 was statistically tied with the record low of 14.1 percent in 2000, with data going back to 1967.

In 1967, economic security programs lifted above the poverty line just 5 percent of those who would otherwise be poor; by 2017, that figure had jumped to 44 percent. These programs lifted 36 million people out of poverty last year, including nearly 7 million children.

Measured with the SPM, the *child* poverty rate remained at a record low of 15.6 percent in 2017, statistically tied with 2016's record low — and a little more than half its 1967 level of 28.6 percent. This, too, largely reflects the growing anti-poverty impact of assistance policies; before taking benefits and tax policies into account, child poverty has improved only modestly over the past five decades, falling from 27.7 percent to 24.6 percent between 1967 and 2017. Some 7 million more children would have been poor in 2017 if the anti-poverty effectiveness of economic security programs had remained at its 1967 level.

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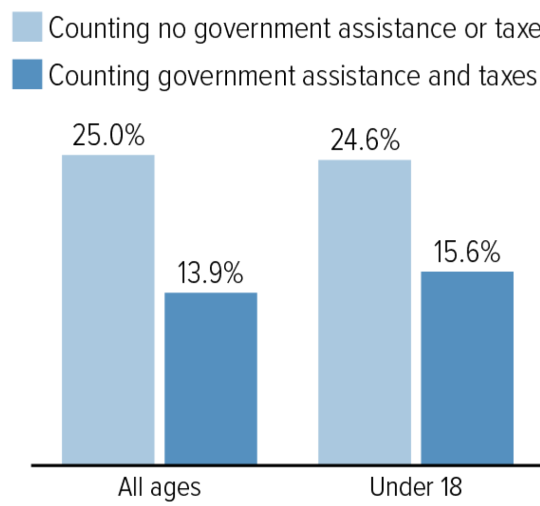
[1] Before taking government benefits and tax policies into account, poverty has improved little over the past five decades, falling only from 26.5 percent to 25.0 percent between 1967 and 2017. For a discussion of various factors affecting long-term poverty trends, see Arloc Sherman, Sharon Parrott, and Danilo Trisi, "Chart Book: The War on Poverty at 50," Center on Budget and Policy Priorities, January 5, 2014, https://www.cbpp.org/research/chart-book-the-war-on-poverty-at-50-section-2?fa=view&id=4071.

These findings emerge from our analysis of data that the Census Bureau released this week and historical SPM data produced by a Columbia University research team.[2] We use the Census Bureau's SPM data for 2009 through 2017 and the Columbia SPM data for prior years. We create an "anchored" series by using the 2017 SPM poverty line and adjusting backwards for inflation.[3]

Unlike the official poverty measure, the SPM counts income from non-cash programs such as the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program) and rental subsidies, and from refundable tax credits for low- and moderate-income income families — the Earned Income Tax Credit (EITC) and Child Tax Credit — as well as cash benefits such as Social Security and unemployment insurance. The SPM also accounts for federal and state income taxes, federal payroll taxes, and certain expenses (such as child care) when considering the income that a family has available to buy basics such as food, clothing, and shelter. It uses a modernized poverty threshold ($27,005 for a two-adult, two-child family renting in an average-cost community in 2017) that accounts for differences in family composition and geographic differences in housing costs.

FIGURE 1

Economic Security Programs Cut Poverty Rate Nearly in Half in 2017



Note: Figures use the federal government's Supplemental Poverty Measure (SPM).

Source: CBPP analysis of Census Bureau data from the Current Population Survey and SPM public use files.

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[2] Chris Wimer *et al.,* Historical Supplemental Poverty Measure Data, Columbia Population Research Center, 2017, https://www.povertycenter.columbia.edu/historical-spm-data-reg.

[3] Using a recent year's SPM poverty thresholds and adjusting them back for inflation (that is, reducing them for previous years so that they represent the same real value for each year) creates what is known as an "anchored" SPM series. Some analysts prefer it to the standard or "relative" SPM, which allows thresholds to grow slightly faster than inflation as living standards among moderate-income households (those around the 33rd percentile) rise over time. Measured over decades, SPM relative poverty thresholds tend to rise somewhat slower than median income, partly because they only take into account changes in households' consumption for basic necessities (food, clothing, shelter, and utilities). By using an anchored series, this analysis shows trends that are due purely to changes in families' resources, not changes in the value of the thresholds.

In any one year, the SPM relative poverty thresholds can rise more or less than inflation because they are based on a five-year moving average of consumption. In 2017 they rose more than inflation, as the five-year average recovered from its recession-era levels. This is why the poverty rate did not decline between 2016 and 2017 under the standard SPM even though it *did* decline under the anchored SPM, which held the poverty thresholds steady in real terms between the two years. For an explanation of the anchoring methodology, see Chris Wimer *et al.,* "Trends in Poverty with an Anchored Supplemental Poverty Measure," Columbia Population Research Center Working Paper No. 13-01, December 2013, http://cupop.columbia.edu/publications/2013.

Poverty Would Be Nearly Twice as High if Not for Economic Security Programs

Census data show that economic security programs lifted 36 million people above the poverty line in 2017, including nearly 7 million children. Government benefits and tax policies cut the poverty rate from 25.0 percent to 13.9 percent in 2017; among children, they cut the poverty rate from 24.6 percent to 15.6 percent. (See Figure 1.)

Although the SPM counts more types of income than the official poverty measure, even the SPM figures in this report understate the effectiveness of economic security programs. When we use data that *correct for households' underreporting of key government benefits* in the Census survey, economic security programs lower the poverty rate by *more than half*.[4] Household surveys depend on participants' recollections over many months and typically fail to capture some income; the Census data are no exception. In 2015, the most recent year for which these corrections are available, economic security programs lowered the SPM poverty rate from 26.4 percent to 12.8 percent when these corrections are made — 1.7 percentage points more than in SPM data lacking these corrections. (Unfortunately, these corrections are not available before the 1990s so we don't apply them in this report.)

Assistance Programs Increasingly Effective at Reducing Poverty

In 1967, government assistance lifted above the poverty line 5 percent of those who would otherwise be poor; by 2017, that figure had jumped to 44 percent. (See Figure 2.) In 2017, before accounting for government benefits and taxes (including tax credits), about 81 million people had incomes below the poverty line. Counting benefits and taxes lowers that number by 36 million people (or 44 percent).

Economic security programs lifted out of poverty the largest share of otherwise poor people in 2009. This reflected policies enacted in late 2008 and early 2009 in response to the Great Recession — most notably, the 2009 Recovery Act — as well as the automatic response of assistance programs to the increase in need as incomes fell and unemployment rose. These measures both blunted the recession's impact on individuals and families and provided important fiscal stimulus that shortened and moderated the recession.[5] The Recovery Act, for example, included temporary increases in SNAP benefits, additional weeks and higher benefits in the unemployment insurance program, and tax-based measures targeted on low- and moderate-income households.[6]

[4] Arloc Sherman and Danilo Trisi, "Safety Net More Effective Against Poverty Than Previously Thought," Center on Budget and Policy Priorities, May 6, 2015, https://www.cbpp.org/research/poverty-and-inequality/safety-net-more-effective-against-poverty-than-previously-thought.

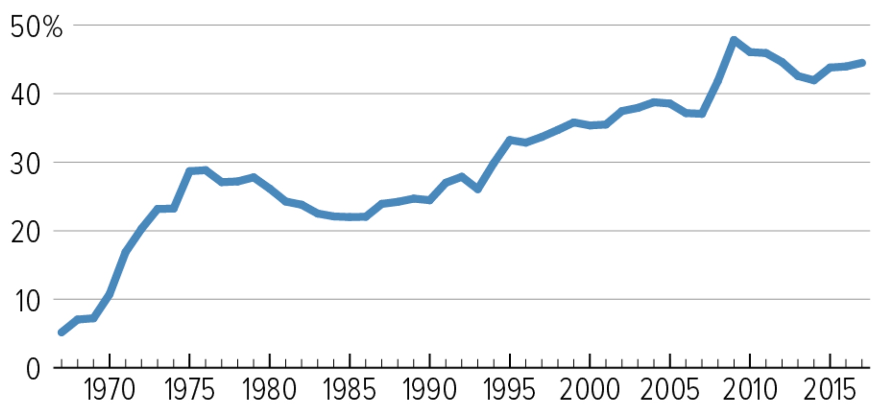
[5] Alan Blinder and Mark Zandi, "The Financial Crisis: Lessons for the Next One," Center on Budget and Policy Priorities, October 15, 2015, https://www.cbpp.org/research/economy/the-financial-crisis-lessons-for-the-next-one.

[6] For more on the effect of Recovery Act programs, see Arloc Sherman, "Poverty and Financial Distress Would Have Been Substantially Worse in 2010 Without Government Action, New Census Data Show," Center on Budget and Policy Priorities, November 7, 2011, https://www.cbpp.org/research/poverty-and-financial-distress-would-have-been-substantially-worse-in-2010-without.

FIGURE 2

Effectiveness of Economic Security Programs at Reducing Poverty Has Grown Dramatically

Percent of otherwise poor lifted above the poverty line by benefits



Note: For each year, figures show the percent reduction in the number of people in poverty from when government benefits and taxes are not counted to when they are counted. Calculations use Supplemental Poverty Measure (SPM) and 2017 SPM poverty line adjusted for inflation.

Source: CBPP analysis of data from Columbia University Population Research Center and (for 2009 and later) U.S. Census Bureau.

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Child Poverty Remains at Record Low

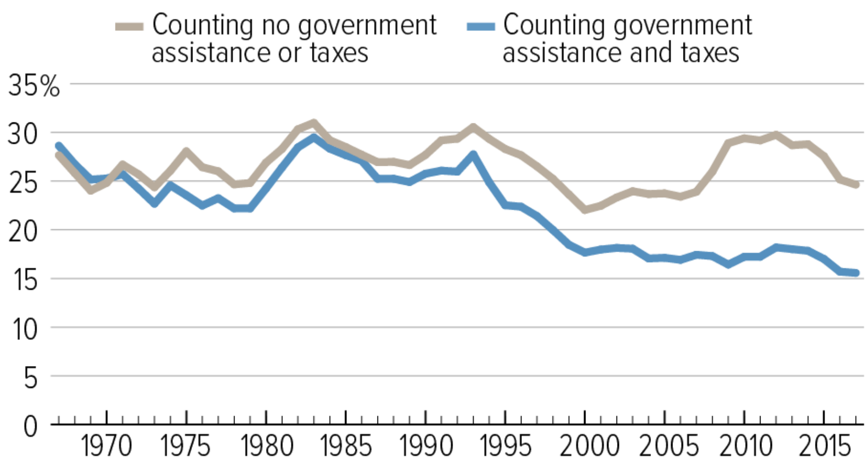
Measured with the SPM, the child poverty rate in 2017 was 15.6 percent, statistically tied with 2016's record low — and a little more than half the 28.6 percent level in 1967, the first year for which we have these data. This improvement was largely due to the growing effectiveness of economic security programs. Before taking government benefits and tax policies into account, child poverty has improved only modestly over the past five decades, falling from 27.7 percent to 24.6 percent between 1967 and 2017. (See Figure 3.) Some 7 million more children would have been poor in 2017 if the anti-poverty effectiveness of economic security programs had remained at its 1967 level.

The recent improvement in the child poverty rate started after the Great Recession. Child poverty fell from its recent peak of 18.2 percent in 2012 to 15.6 percent in 2017. Most of the improvement occurred between 2014 and 2016, when the child poverty rate fell 2.1 percentage points. Unlike the long-term trends, this recent improvement does reflect improvements in employment and earnings.

FIGURE 3

Child Poverty Has Fallen to Record Low, Once Government Aid Is Counted

Poverty rate for children under 18, using Supplemental Poverty Measure



Note: Calculations use 2017 SPM poverty line adjusted for inflation.

Source: CBPP analysis of data from Columbia University Population Research Center and (for 2009 and later) U.S. Census Bureau

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In 2017, government policies lifted above the poverty line some 37 percent of the children who would otherwise be poor, with the refundable tax credits and SNAP accounting for the majority of this strong anti-poverty effect. In 1967, in contrast, child poverty actually was modestly *higher* after taking government benefits and taxes into account, because the federal tax code then taxed a substantial number of families with children into poverty (or deeper into poverty). Since that time, federal policymakers have established and expanded the EITC and Child Tax Credit, which now lift over 4 million children above the poverty line each year. Nationwide implementation of SNAP in the 1970s and its increased effectiveness in reaching more eligible people (especially working-poor families) have lifted millions of additional children out of poverty.

This progress is particularly important in light of the evidence of child poverty's long-lasting consequences. A growing body of research suggests that various economic security programs not only help families address their basic needs today, but also can have longer-term positive effects on children, improving their health and helping them do better (and go farther) in school, thereby boosting their expected earnings as adults.[7]

[7] Arloc Sherman and Tazra Mitchell, "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find," July 17, 2017, https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over.

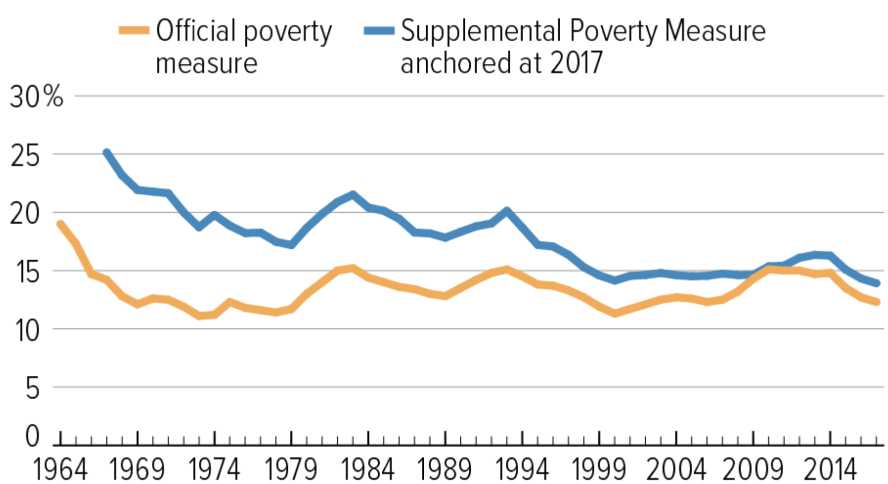
SPM Shows Progress Against Poverty That Official Measure Masks

The official poverty measure is a revealing indicator of the state of the private economy for less-fortunate working-age adults and their families. But because it counts only pre-tax cash incomes and omits the impact of some key economic security programs, notably SNAP and tax credits, it doesn't accurately portray the overall financial well-being of low-income Americans or how that has changed over longer periods of time.

Some policymakers and pundits have argued that federal anti-poverty programs have failed, noting that the official poverty rate fell sharply between 1959 and 1969 but has changed relatively little since then, apart from fluctuations due to the business cycle. However, comparing poverty rates in the 1960s and today using the official poverty measure yields misleading results because the official measure doesn't count programs like SNAP, the EITC, and rental assistance, which now constitute a much larger part of the safety net than 50 years ago, and which most poverty analysts favor including in the poverty measure. As noted, the poverty rate fell from 25.1 percent in 1967 to 13.9 percent in 2017 under the SPM that includes this assistance. The poverty rate fell much less sharply under the official measure, from 14.2 percent in 1967 to 12.3 percent in 2017. The SPM poverty rate in 2017 was statistically tied with the record low of 14.1 percent in 2000. (See Figure 4.)

FIGURE 4

Poverty Rate Has Fallen Significantly Since 1960s Under Anchored Supplemental Poverty Measure



Note: Official measure counts cash income and uses official poverty line. Supplemental measure counts cash income plus non-cash benefits, reflects the net impact of the tax system, subtracts certain expenses from income, and uses the 2017 SPM poverty line adjusted for inflation.

Source: CBPP analysis of data from Columbia University Population Research Center and (for 2009 and later) U.S. Census Bureau.

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In recent months, the Trump Administration and others have criticized the poverty data (including the SPM), claiming that most poverty is mismeasured and that only a tiny fraction of those shown as poor in government statistics experience real hardship. Studies have found, however, that the majority of adults and children considered poor under the official measure do experience one or more material hardships, such as falling behind on rent or utility bills, having utilities or phone service cut off, being evicted, not seeing a doctor or dentist when needed, or having problems affording adequate food. Significant numbers of near-poor families also experience these hardships.[8]

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[8] Michael Karpman, Stephen Zuckerman, and Dulce Gonzalez, "Material Hardship among Nonelderly Adults and Their Families in 2017: Implications for the Safety Net," Urban Institute, August 28, 2018, https://www.urban.org/research/publication/material-hardship-among-nonelderly-adults-and-their-families-2017; Arloc Sherman, "Hardship in America, 2013: Getting By Has Gotten Tougher," Center on Budget and Policy Priorities, November 25, 2013, https://www.cbpp.org/blog/hardship-in-america-2013-getting-by-has-gotten-tougher.