

Updated March 21, 2018

Chart Book: Economic Security and Health Insurance Programs Reduce Poverty and Provide Access to Needed Care

Today's economic security programs lift tens of millions of Americans above the poverty line, provide health care to tens of millions of Americans, and have positive longer-term effects on children, many studies find, helping them do better (and go farther) in school and lift their earning power as adults. Still, poverty remains high and many families face serious hardship.

The following charts illustrate that:

Part I: Economic Security Programs Are Effective Against Poverty

Part II: Health Care Programs Help Millions Obtain Health Insurance

Part III: Economic Security and Health Care Programs Support Work

Part IV: Economic Security Programs Provide Long-Term Positive Effects

Part V: Programs Provide a Limited Safety Net

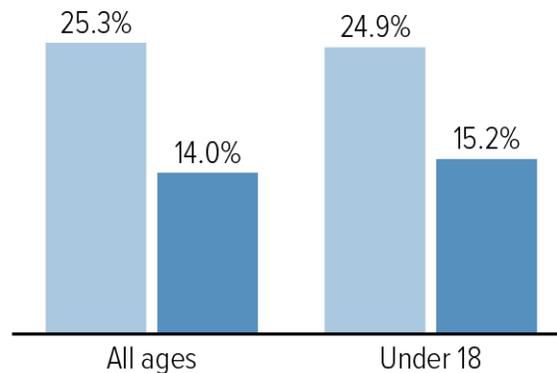
Part I: Economic Security Programs Are Effective Against Poverty

Economic security programs cut poverty nearly in half. These programs (i.e., the safety net of government assistance policies) lifted 36 million people above the poverty line in 2016 — including more than 7 million children, we calculate using the federal government’s [Supplemental Poverty Measure](#) (SPM). Unlike the official poverty measure, the SPM counts non-cash benefits, tax credits, and income and payroll taxes paid, as well as cash benefits such as Social Security and unemployment insurance. It also takes certain expenses (such as child care) into account when considering the income that a family has available to buy basics such as food, clothing, and shelter. It uses a modernized poverty threshold (\$26,104 for a two-adult, two-child family renting in an average-cost community in 2016) that accounts for family composition and geographic differences in the cost of living.

Government benefits and taxes cut the poverty rate from 25.3 percent to 14.0 percent in 2016; among children, they cut the poverty rate from 24.9 percent to 15.2 percent.

Economic Security Programs Cut Poverty Rate Nearly in Half in 2016

- Counting no government assistance or taxes
- Counting government assistance and taxes



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 and published Census figures.

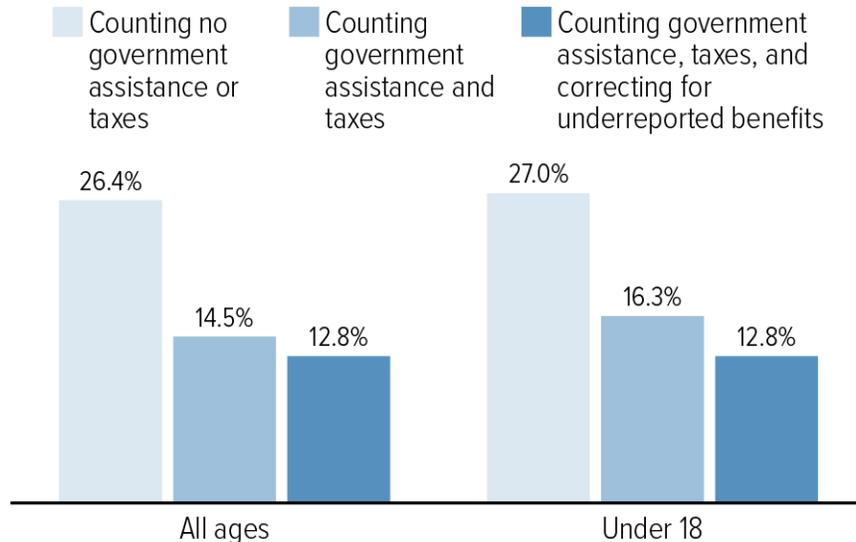
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

These SPM figures, moreover, *understate* the safety net’s effectiveness. The safety net lowers the poverty rate by *more than half* [when using data that correct for households’ underreporting](#) of key government benefits in the Census survey. 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 — 1.7 percentage points lower than in SPM data without these corrections.

Correcting for Underreporting Shows Even Bigger Impact of Economic Security Programs

Percent poor in 2015



Note: Figures use the federal government's Supplemental Poverty Measure (SPM). Program participants sometimes underreport their benefits because they forget, are embarrassed to receive benefits, or for other reasons. We correct for this for four government programs.

Source: CBPP analysis of Census Bureau data from the Current Population Survey and SPM public use files; corrections for underreported government assistance from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

In order to correct for underreporting in the Census Bureau data, we use data from the U.S. Department of Health and Human Services and the Urban Institute for four types of government assistance: the Supplemental Nutrition Assistance Program ([SNAP](#), formerly food stamps), Supplemental Security Income ([SSI](#)), [housing assistance](#), and Temporary Assistance for Needy Families ([TANF](#)).

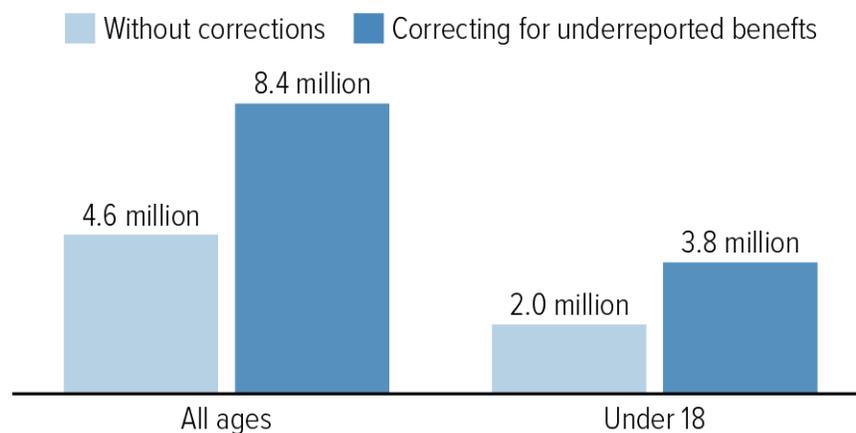
Correcting for underreporting makes an especially big difference in poverty for children, who are more likely than other age groups to receive SNAP and TANF.

SNAP lifts more than 8 million people out of poverty. [SNAP](#) lifted 8.4 million people — including 3.8 million children — above the poverty line in 2015, using data that correct for underreporting. This is nearly twice as many children than in figures reported by the Census Bureau that do not make these corrections.

SNAP also lifted 2.0 million children out of “deep poverty” (defined as incomes below half of the poverty line) in 2015, more than any other government assistance program. And SNAP lifts more households with children out of “[extreme poverty](#)” — defined as having income of less than \$2 per person per day — than any other government program.

One reason SNAP is so effective in fighting extreme poverty is that it focuses on many of the poorest households. Roughly [92 percent](#) of SNAP benefits go to households at or below the poverty line each month, and 56 percent go to households below half of the poverty line (that is, below \$840 a month for a family of three in 2016), program records show.

SNAP Keeps Millions Above Poverty

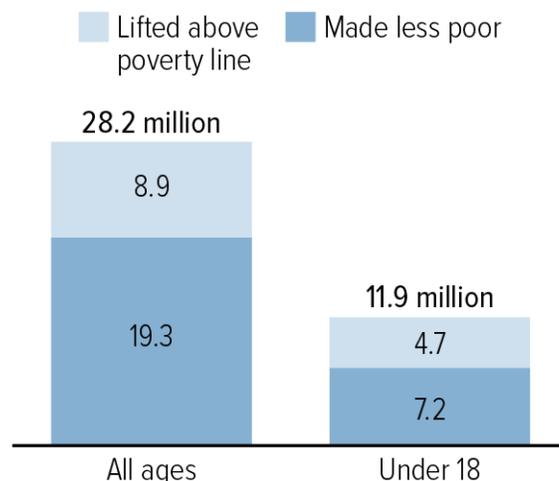


Note: Figures are for 2015 and use the federal government's Supplemental Poverty Measure (SPM).
 Source: CBPP analysis of Census Bureau data from the Current Population Survey and SPM public use files; corrections for underreported government assistance from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Tax credits lift nearly 9 million people in working families above the poverty line. Together, the [Earned Income Tax Credit \(EITC\)](#) and [Child Tax Credit \(CTC\)](#) lifted 8.9 million people, including 4.7 million children, above the poverty line in 2016. They also reduced the severity of poverty for another 19.3 million people, including 7.2 million children.

Earned Income Tax Credit and Child Tax Credit Have Powerful Anti-Poverty Impact



Note: Figures are for 2016 and 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.

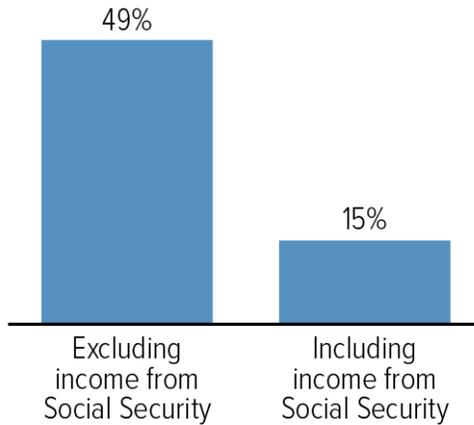
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Social Security lifts 17 million seniors and 9 million others out of poverty. Social Security lifted 26 million people above the poverty line in 2016 using the SPM, according to Census Bureau estimates. This includes 17 million seniors ages 65 and older as well as many younger adults (early retirees, disabled workers, and survivors of deceased workers) and 1.5 million children.

Without their Social Security income, nearly half of seniors would have been poor in 2016, the Census Bureau [reports](#); with Social Security, their poverty rate under the SPM is about 15 percent. (While these figures use the SPM, Social Security also has a [strong effect](#) on the official poverty measure because it provides cash assistance.)

Social Security Dramatically Cuts Poverty Among Seniors

Percentage of seniors in poverty



Note: Figures are for 2016 and use the federal government's Supplemental Poverty Measure (SPM).

Source: U.S. Census Bureau.

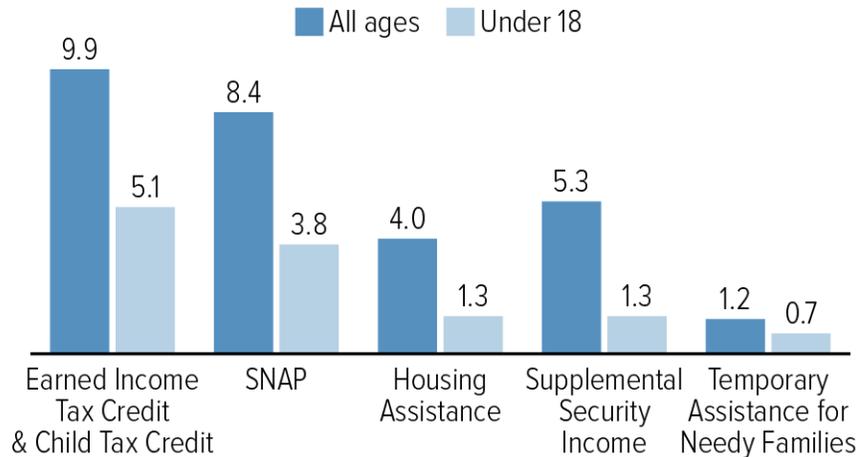
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

These estimates are subject to two major qualifications. If Social Security did not exist, many retirees likely would have saved somewhat more and worked somewhat longer, and many might live with their adult children rather than in their own households. In addition, the Census Bureau's estimates are based on self-reported income; a recent study estimates that the share of elderly Americans that Social Security lifted above the poverty line in 2012 was about one-third lower when researchers match survey responses with official records. However, even after accounting for both underreporting and work effects, Social Security lifts many millions of Americans above the poverty line.

Need-based economic security programs lift millions out of poverty. Need-based programs overall — those limited to people with low or modest incomes — lifted more than 25 million Americans above the poverty line in 2015, including 11 million children, when using data that correct for underreporting. Need-based (also known as “means-tested”) refers to programs such as SNAP, SSI, housing assistance, TANF cash assistance, the EITC, and the low-income component of the Child Tax Credit. Other need-based programs included in this calculation are the Low Income Home Energy Assistance Program (LIHEAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), need-based veterans' benefits, free and reduced-price school lunch, and state General Assistance programs.

Major Tax Credits and Need-Based Programs Lift Millions Above Poverty Line

Millions of people



Note: Figures are for 2015 and use the federal government's Supplemental Poverty Measure (SPM).

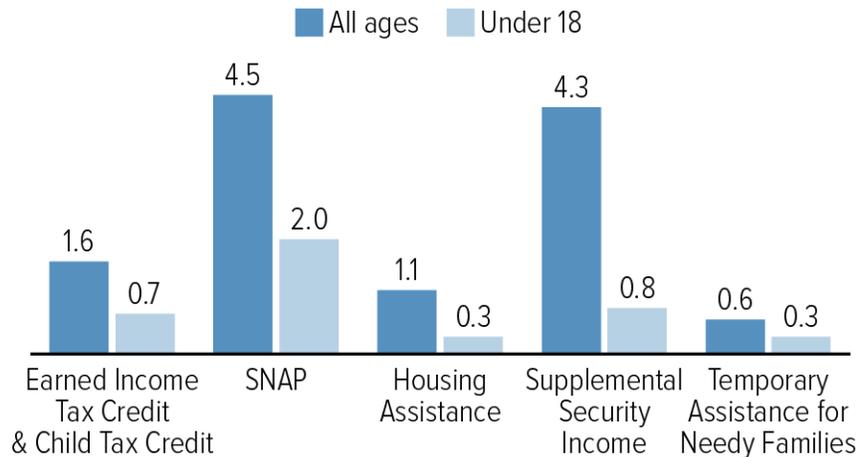
Source: CBPP analysis of Census Bureau data from the Current Population Survey and SPM public use files; corrections for underreported government assistance from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Need-based programs also play a crucial role in easing deep poverty, particularly for families with children. SNAP lifted 4.5 million people above half the poverty line, including 2.0 million children under 18. As noted, SNAP also lifted more children out of deep poverty than any other government program in 2015. After Social Security and SNAP, SSI lifted the most people of all ages out of deep poverty (4.3 million) in 2015.

Major Tax Credits and Need-Based Programs Lift Millions Above “Deep Poverty”

Millions of people lifted above half the poverty line



Note: Figures are for 2015 and 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; corrections for underreported government assistance from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM).

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Housing programs reach relatively few eligible households due to limited funding but have strong anti-poverty effects for those they do reach. In 2015, nearly 10 million Americans in over 5 million low-income households received housing assistance, well below the number that received other major needs-based programs like SNAP or the EITC. Yet, housing assistance lifted above the poverty line a larger share of those it assisted: 33 percent of housing assistance recipients would be considered poor without this assistance but were above the poverty line because of it.

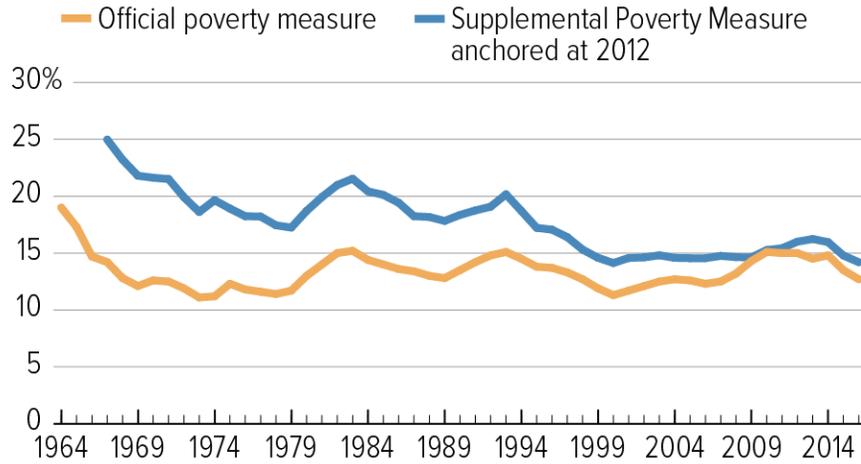
Expanded poverty measure shows progress against poverty that the official measure masks. Some policymakers and pundits have argued that federal anti-poverty programs are ineffective, noting that the official poverty measure fell sharply between 1959 and 1969 but has changed relatively little since then, apart from fluctuations due to the business cycle.

However, comparing poverty rates in the 1960s and today using the official 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.

The poverty rate fell from 25.0 percent in 1967 to 14.2 percent in 2016 under a more comprehensive poverty measure that includes this assistance, as most analysts believe should be done. These figures come from our update of the [Anchored Supplemental Poverty Measure](#) series produced by Columbia University researchers. (These data do not adjust for underreporting because such adjustments are not available for the full historical series. In addition, the 2016 figures

presented in this section do not match the figures in the first graph of this chartbook because these long-term comparisons use the 2012 SPM poverty line adjusted for inflation.)

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 2012 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.

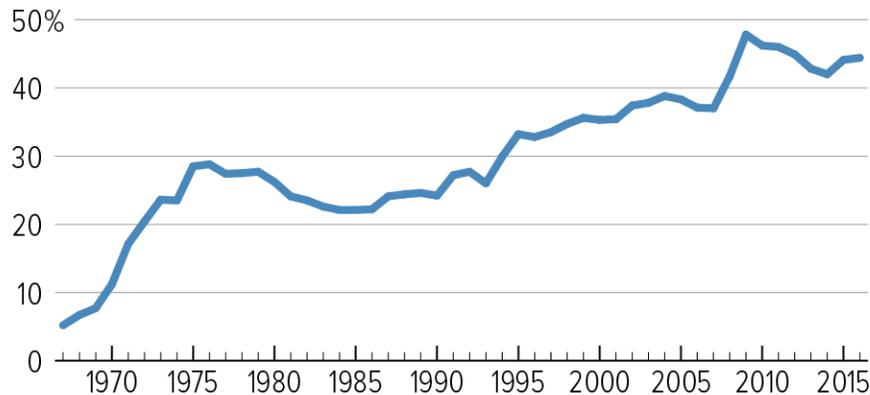
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Effectiveness of programs in reducing poverty has grown substantially. In 1967, government assistance lifted above the poverty line just 5 percent of those who would otherwise be poor; by 2016, that figure had jumped to 44 percent.

In 2016, before accounting for government benefits and taxes (including tax credits), about 82 million people had incomes below the poverty line. Counting benefits and taxes, however, lowers that number by 36 million people — a drop of 44 percent.

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 2012 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.

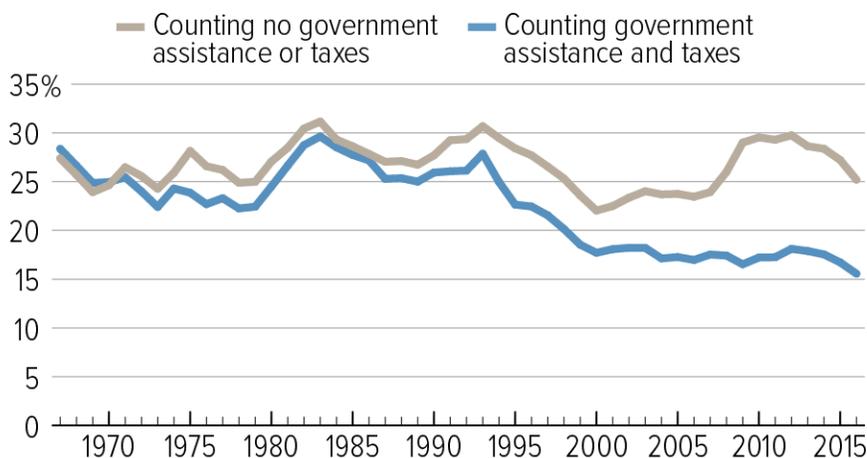
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The child poverty rate has fallen to a record low, largely due to increasingly effective assistance policies. The child poverty rate fell to a [record low](#) of 15.6 percent in 2016, a little more than half its 1967 level of 28.4 percent.

Before taking government benefits and tax policies into account, child poverty has improved only modestly over the past five decades; it declined from 27.4 percent in 1967 to 25.1 percent in 2016. Some 7.8 million more children would have been poor in 2016 if the anti-poverty effectiveness of the safety net had remained at its 1967 levels.

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 2012 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

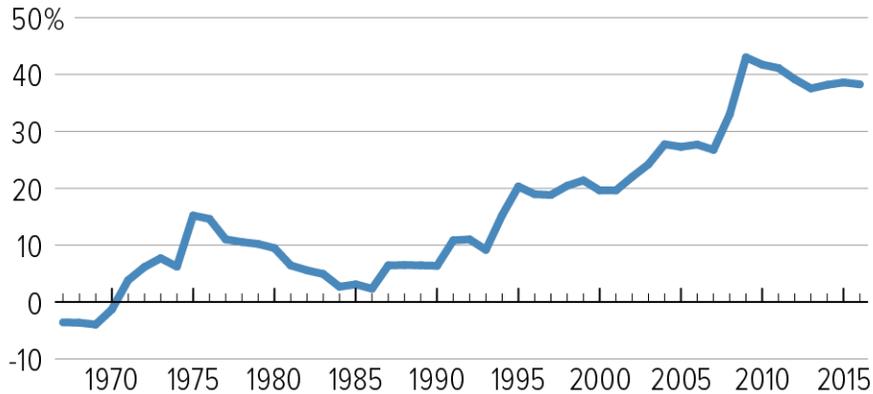
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Effectiveness of programs in reducing child poverty has grown dramatically since 1967. In 2016, government policies lifted above the poverty line 38 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 than before taking them into account, because a significant number of families with children were taxed into poverty at that time. Since then, however, the EITC and the CTC were established and expanded, and today these tax credits lift nearly 5 million children above the poverty line. Similarly, nationwide implementation of SNAP in the early 1970s and its increased effectiveness over time in reaching more eligible people (especially working-poor families) have lifted millions of additional children out of poverty.

Effectiveness of Economic Security Programs at Reducing Child 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 children in poverty from when government benefits and taxes are not counted to when they are counted. Calculations use Supplemental Poverty Measure (SPM) and 2012 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.

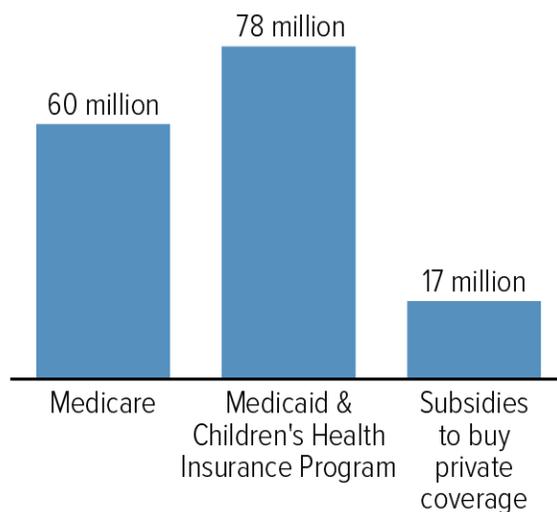
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Part II: Health Care Programs Provide Coverage to Millions

Public programs provide health coverage to millions of seniors and low-income people. [Medicare](#) and [Medicaid](#) cover millions of seniors, people with disabilities, parents, children, and — in [states](#) that adopt [the Affordable Care Act's \(ACA\) Medicaid expansion](#) — childless adults with incomes up to 138 percent of the poverty line. The ACA also provides near-poor and moderate-income people with subsidies to buy private coverage through insurance marketplaces.

Public Programs Provide Health Coverage to Millions of Americans

Projected average monthly enrollment, 2018



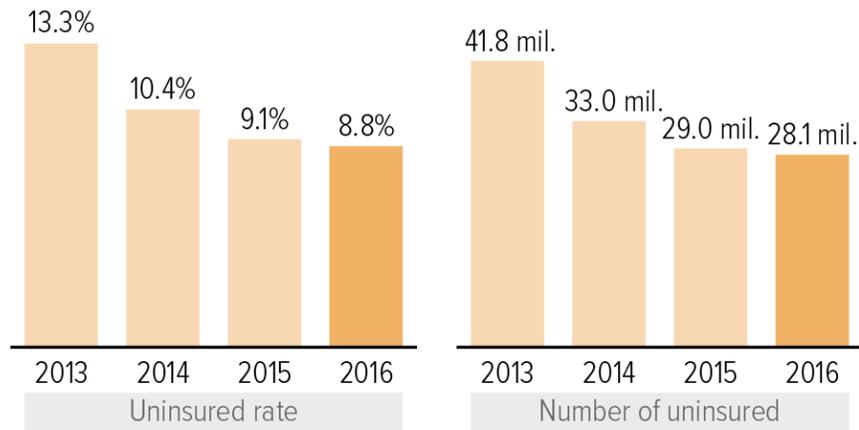
Source: Congressional Budget Office.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The share of Americans without health insurance has fallen to historic lows under the ACA. The uninsured rate reached a historic low in 2016, the third full year that the ACA's major coverage expansions were in place. Some 8.8 percent of people lacked insurance in 2016, down more than one-third from 2013's 13.3 percent rate. The number of uninsured also hit a record low in 2016: 28.1 million, or more than 13 million fewer than in 2013.

These figures come from Census Bureau's Current Population Survey (CPS) with adjustments based on Census Bureau guidance to account for changes to the survey over time; data are available back to 1988. (These trends are consistent with results based on the National Health Interview Survey.)

Americans Without Health Coverage Fell to Historic Low in 2016

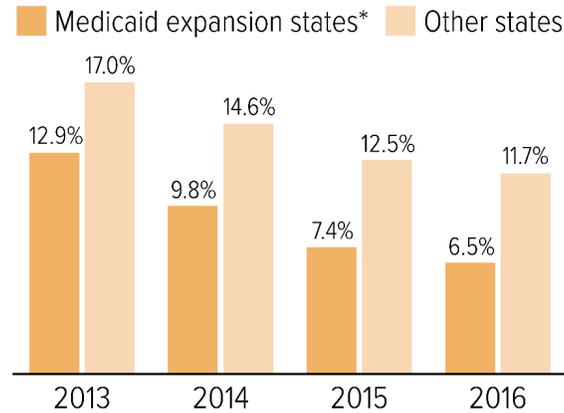


Source: Census Bureau, Current Population Survey

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The states not expanding Medicaid lag further in health coverage. States that have adopted the ACA’s Medicaid expansion had a much lower uninsured rate in 2016 than states that haven’t, and the gap continues to widen. Some 6.5 percent of the people in the 31 states (including the District of Columbia) that expanded Medicaid by January 2016 lacked health insurance that year, compared with 11.7 percent in the 20 non-expansion states, according to the Census Bureau’s American Community Survey. The ACA’s Medicaid expansion has produced not only historic health coverage gains but other positive effects, a large and growing body of research finds. (Since January 2016, Louisiana has expanded Medicaid and Maine passed a ballot initiative to expand Medicaid by May 2018.)

Uninsured Rate Gap Between Medicaid Expansion States and Others Widening



*The Affordable Care Act gave states the option to expand Medicaid to adults with income up to 138 percent of the poverty line. Analysis reflects states' expansion decisions as of January 2016.

Source: CBPP analysis using Census Bureau data.

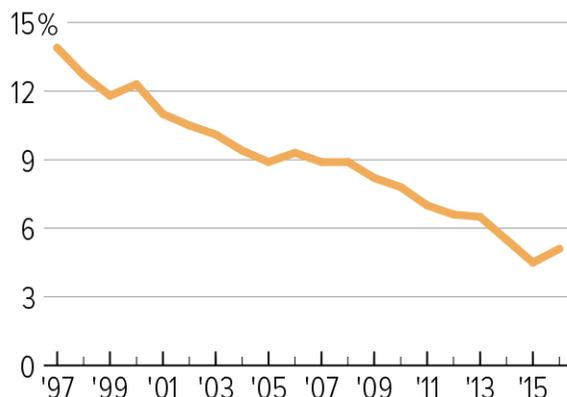
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The children's uninsured rate has dropped by over half since 1997. Over the past two decades, Medicaid expansions and the creation of the Children's Health Insurance Program (CHIP) have significantly [reduced the share of children who are uninsured](#). Together, Medicaid and CHIP provide quality health coverage to more than 1 in 3 children, the great majority of whom lack access to affordable employer-sponsored coverage.

Medicaid and CHIP [improve access to health care and health outcomes for children](#), including increasing the likelihood of receiving a well-child visit and reducing avoidable hospitalizations. They also have [other far-reaching benefits](#).

Children's Uninsured Rate Has Dropped by Over Half Since 1997, Largely Due to Public Programs

Percent uninsured



Source: Center for Disease Control and Prevention

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

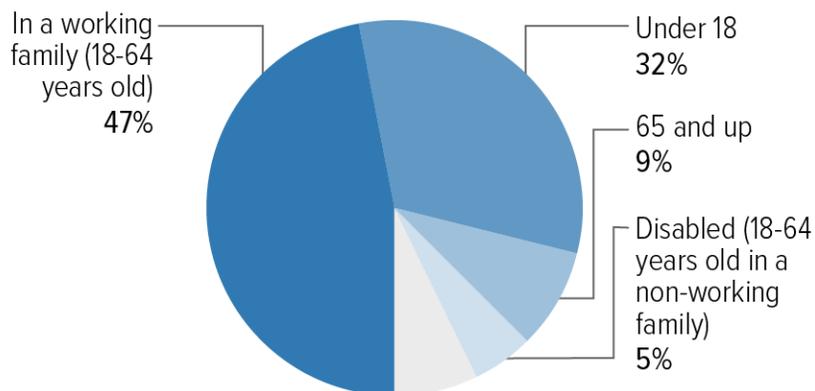
Part III: Economic Security and Health Programs Support Work

Most recipients of need-based government assistance either aren't expected to work — such as children, the elderly, and people with disabilities — or are in working families. Need-based programs are those limited to people with low or modest incomes. Examples include SNAP, Supplemental Security Income, housing assistance, Temporary Assistance for Needy Families, and the Earned Income Tax Credit.

Most non-elderly adults who aren't receiving disability benefits and participate in programs like Medicaid or SNAP are working — and many of those who aren't working now have worked recently or will work soon. Of those who aren't working, many are ill, caring for a family member who is ill or has a disability, or face other circumstances that make it difficult to work in the near term.

More Than 9 in 10 People Receiving Need-Based Assistance Are Children, Elderly, Disabled or in Working Families

Share of total recipients, 2015



Note: A working family is defined as one in which someone works at least 1,000 hours in a year. In these figures, all members of a family that receive need-based assistance are counted as recipients.

Source: CBPP analysis of Census Bureau data from the Current Population Survey and Supplemental Poverty Measure public use files; corrections for underreported government assistance from Health and Human Services/Urban Institute Transfer Income Model (TRIM).

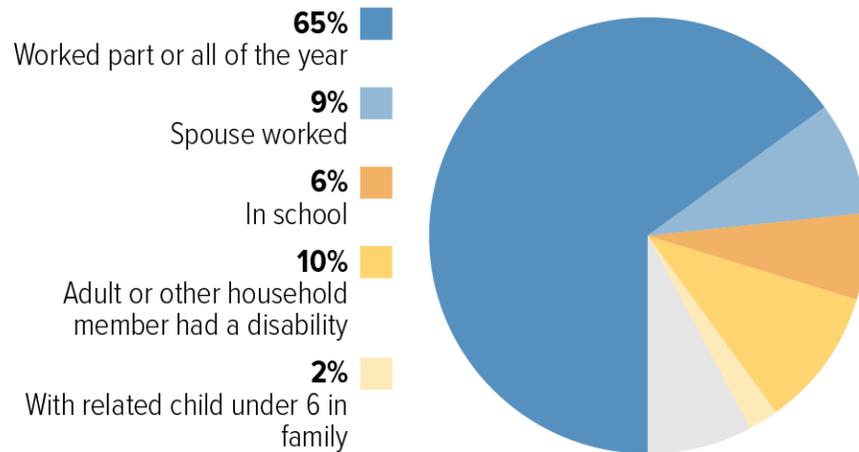
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Most adult program participants who are expected to work, do work for part or all of the year. Some 65 percent of adults ages 19 to 64 who participated in Medicaid, SNAP, or housing assistance programs during any part of 2016 worked at some point that year. (These figures omit people with severe disabilities, as indicated by receipt of SSI or Social Security disability benefits.) They tended to work a substantial amount: an average of 44 weeks per year (or about five-sixths of the year) for 36 hours per week. Another 9 percent were married to someone who worked.

In total, therefore, 74 percent of these adults worked or were in a working couple. Most of the rest were in school, had a work-limiting disability or were living with someone with a disability who may require care, or had children under age 6.

Most Adults Receiving Medicaid, SNAP, or Housing Assistance Who Can Work, Do Work

Work experience during the year and related characteristics among recipients ages 19 to 64 not receiving federal disability benefits



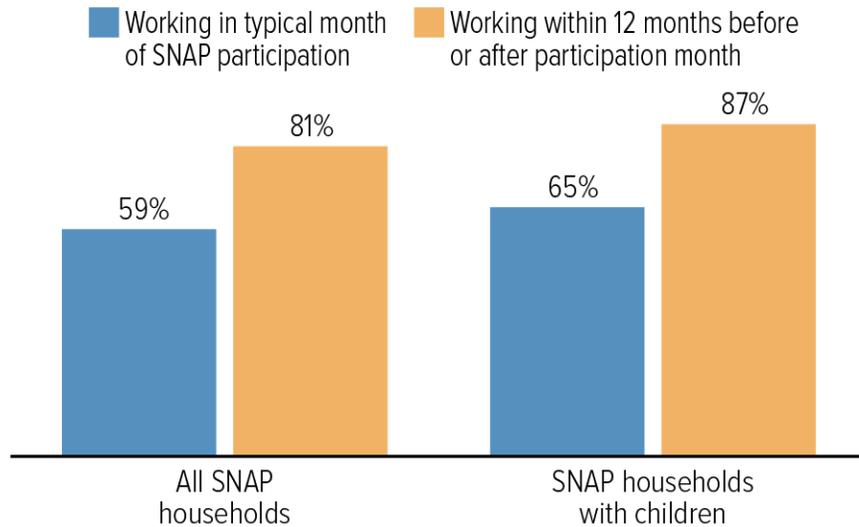
Note: Each category excludes previously listed categories. Chart excludes recipients of disability benefits from Social Security or Supplemental Security Income; chart's disability category includes people who do not receive such assistance but have a work-limiting disability or live with someone who has a work-limiting disability or receives disability payments and may require care. "In school" includes students enrolled full time at survey time and persons who reported school as their primary reason for not working in the year.

Source: CBPP analysis of March 2017 Current Population Survey.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Among food assistance recipients who are able to work, most are working now, have worked recently, or will work soon. SNAP has become increasingly effective at [supporting work](#) among households that can work. More than half of SNAP households with at least one working-age, non-disabled adult work in a typical month of SNAP receipt — and more than 80 percent work within 12 months before or after that month. The rates are even higher for families with children: more than 60 percent work while receiving SNAP, and almost 90 percent work in the prior or subsequent year.

SNAP Households with Working-Age Non-Disabled Adults Have High Work Rates



Note: Households are those that participated in SNAP at a point in time in mid-2012 and that include someone aged 18-59 who did not receive disability benefits from Social Security or Supplemental Security Income.

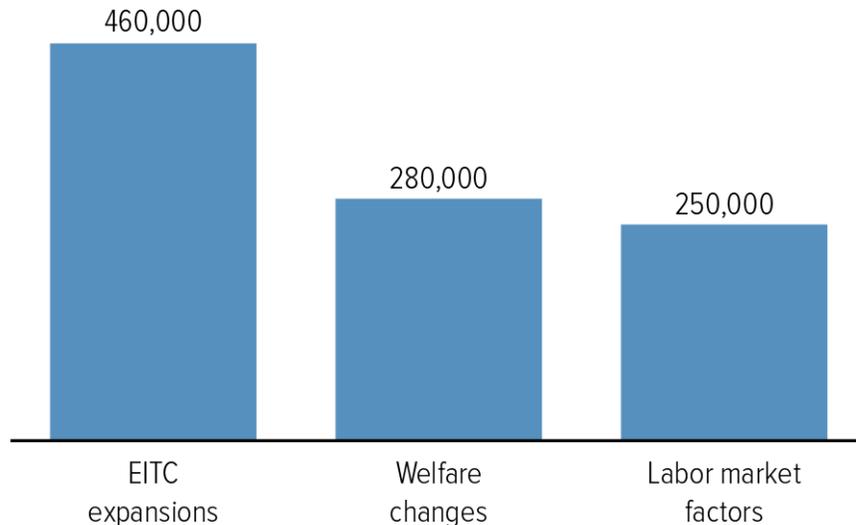
Source: CBPP analysis of Survey of Income and Program Participation data from 2011-2013

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The Earned Income Tax Credit (EITC) boosts employment among parents. The EITC has repeatedly been found to act as a powerful work incentive, especially for single parents. The EITC expansions enacted in the 1990s “appear to be the most important single factor in explaining why female family heads [of households] increased their employment over 1993-1999,” according to a well-regarded [study](#).

EITC Was Single Biggest Factor in Boosting Employment Among Single Mothers

Increase in employment of female heads of households in 1999 due to changes since 1993



Note: Categories from the Grogger study were combined for simplicity. The categories “time limits,” “other reforms,” and “maximum benefits” were combined into the category “welfare changes.” The categories “minimum wage” and “unemployment rate” were combined into the category “labor market factors.”

Source: CBPP analysis of results from Jeffrey Grogger, “The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income among Female-Head Families,” *Review of Economics and Statistics*, May 2003 and data from March 1999 Current Population Survey.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

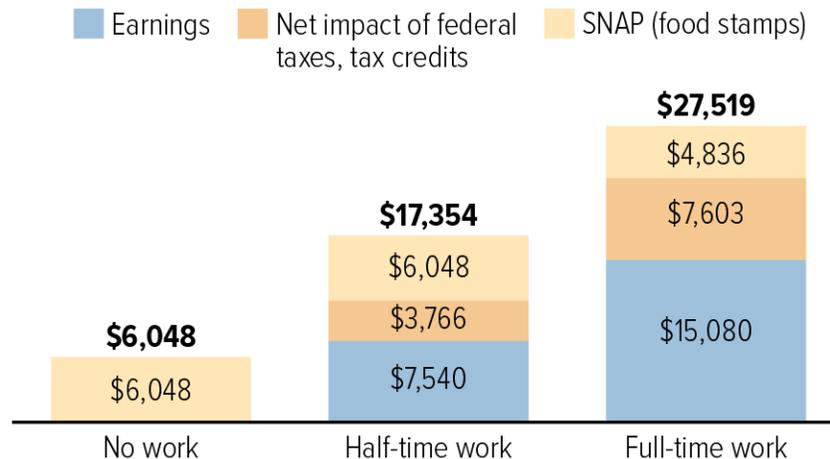
Under economic security programs, it pays to work. Economic security programs help millions of working families make ends meet and are structured so that families generally are [better off](#) when an adult can start working, work more hours, or receive a wage hike. Further, various changes in assistance programs over the past two decades (such as the expansion of working family tax credits and the enactment of the Affordable Care Act) have substantially increased incentives to work for people in poverty.

Families in which adults are not working and do not qualify for disability-related benefits often don’t have access to any cash income. In 2016, for every 100 families with children in poverty, [only 23](#) received cash assistance from TANF, and a substantial majority of families with incomes low enough to qualify for TANF assistance don’t receive it. There is no federal cash assistance program for those *without* children — and very few states have state-level programs.

Families with children are far better off if the parent can find work, even if that work is low paid. Consider, for example, a single mother with two children who is not working and receives SNAP and Medicaid (the most common benefits configuration for such parents). Her family income would [more than double](#) if she takes a half-time job at the federal minimum wage and would more

than quadruple if she takes a full-time job at the federal minimum wage. Under either scenario, she and her children would remain eligible for Medicaid in 34 states (32 of which have chosen the Medicaid expansion) and the District of Columbia. This number would grow if more states take the Medicaid expansion.

For Minimum-Wage Single Mother of Two, It Pays to Work More at Minimum Wage



Source: CBPP calculations based on SNAP and tax rules for 2018. Calculations assume median shelter expenses for working single parent of two based on SNAP administrative data. Federal taxes include employee share of payroll taxes. Federal tax credits include Earned Income Tax Credit and Child Tax Credit.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

These calculations do not factor in work expenses. For parents, particularly those with younger children, child care assistance can offset a large share of these costs, but unfortunately, most low-income parents with children can't get child care assistance due to insufficient funding. Fewer than 1 in 6 children eligible for child care assistance under federal law receive help.

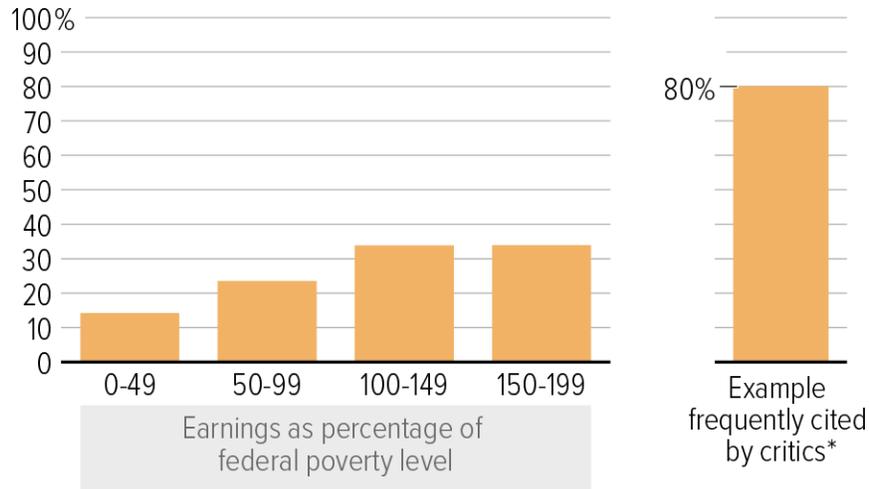
Claims that the safety net discourages work often assume that workers receive a combination of benefits that few low-income workers actually get. The examples cited to support these claims, in which each additional dollar that a family earns is largely offset by the loss of benefits or increase in taxes, are generally worst-case scenarios that apply only to a small fraction of families with children. We estimate that only about 3 percent of single mothers with two children and earnings below 150 percent of the poverty line (below about \$29,000) receive the EITC, SNAP, and either TANF or housing aid (or both) and are in the earnings range where these benefits all phase down at once — and consequently could lose 80 cents or more per added dollar of earnings. The proportion with such steep losses is even smaller for other family configurations.

The typical (median) worker with earnings below half of the poverty line loses 14 cents in higher taxes and/or lower benefits for each additional dollar earned, according to the Congressional Budget Office. CBO also found that workers with earnings between 50 and 100 percent of the poverty line

typically lose 24 cents per added dollar of earnings. Workers with earnings just above the poverty line typically lose about one-third of each additional dollar earned.

Lower Benefits, Higher Taxes Usually Offset Smaller Share of Added Earnings Than Critics Claim

Share of additional dollar of earnings offset by the higher taxes people pay or fewer benefits they receive when their earnings rise



*For example, House Speaker Paul Ryan said in Wisconsin in 2017, “the highest tax rate payer in this state [is] the single mom getting 24 grand in benefits with two kids who would lose 80 cents on the dollar if she goes and takes a job.”

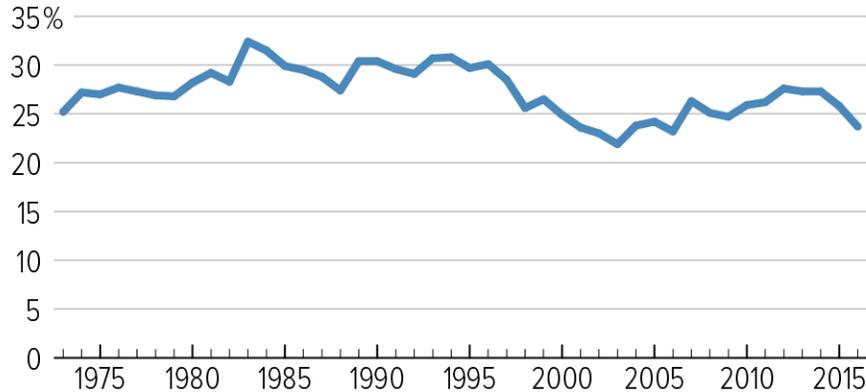
Source: The median marginal tax rates are from Congressional Budget Office (<https://www.cbo.gov/publication/50923>) and are for all taxpayers in the earnings groups.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Many jobs pay too little to support a family. Nearly 1 in 4 workers are paid below-poverty hourly wages, about the same as in 1973. Specifically, 24 percent of workers in 2016 were paid hourly wages too low to lift a family of four above the poverty line even if the worker worked full time all year (40 hours a week for 52 weeks), according to the Economic Policy Institute. In 1973, the share was similar: 25 percent.

1 in 4 Workers Are Paid Below-Poverty Wages

Share paid hourly wages too low for full-time, year-round worker to lift family of four above poverty line



Note: Poverty line = \$24,336 a year or \$11.70 an hour in 2016.

Source: Economic Policy Institute.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Part IV: Economic Security Programs Provide Long-Term Positive Effects

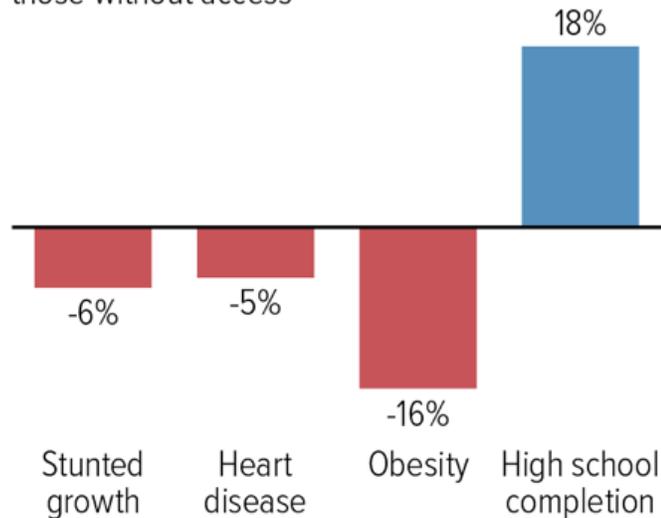
Many research studies have found that low-income children whose families participate in these programs achieve lasting [improvements](#) in education, health, and other outcomes.

Children with access to food stamps in the 1960s and 1970s grew up healthier and were more likely to finish school. A [study](#) of what happened when food stamps (now called SNAP) gradually expanded nationwide in the 1960s and early 1970s found that disadvantaged children who had access to food stamps in early childhood and whose mothers had access during pregnancy had better health and educational outcomes as adults than children who didn't have access to food stamps.

Among other things, children with access to food stamps were less likely in adulthood to have stunted growth, be diagnosed with heart disease, or be obese. They also were more likely to graduate from high school.

Children With Access to SNAP Fare Better Years Later

Percentage-point change in outcomes for adults with access to SNAP as children, compared to those without access



Note: The study compared adults who had access to SNAP (then food stamps) through age 5 after its introduction in the 1960s and early 1970s to similar children who spent none of these years in a food stamp county.

Source: Hoynes, Schanzenbach, and Almond, "Long-Run Impacts of Childhood Access to the Safety Net," *American Economic Review*, April 2016.

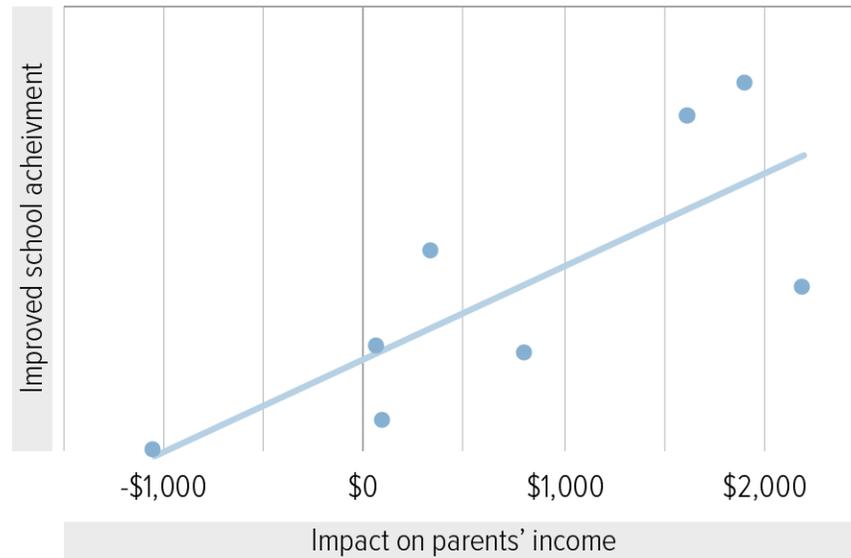
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Programs that supplement families' incomes improve children's educational and other outcomes, evidence suggests. Many [studies](#) have linked increases in tax credits for working families with better health and educational outcomes for children. Gordon Berlin, president of MDRC, the leader in evaluation of welfare-to-work programs, has [reported](#) that "We have reliable evidence involving thousands of families in multiple studies demonstrating that 'making work pay' [by supplementing low earnings] causes improvements in young children's school performance."

Particularly compelling evidence that income support can help poor children succeed in school comes from a series of cross-program comparisons of several welfare-to-work and anti-poverty pilot programs in the United States and Canada in the 1990s. When programs provided more generous income assistance, the comparisons consistently showed better academic performance among young children transitioning into school. Assessing the cross-program data, [researchers concluded](#) that "young children's school achievement is improved by the income gains generated by these programs but is not affected by changes in parental employment and welfare receipt occurring at the same time." Other [studies](#) using other data and methods have [found similar](#) effects.

The More Programs Raised Parents' Income, The More They Tended to Lift Young Children's Later Achievement in School

Among 8 Anti-Poverty and Welfare-to-Work Pilot Programs



Note: The trend line shows the average relationship between programs' impacts on family income (horizontal axis) and young children's school achievement (vertical axis) across eight welfare-to-work and anti-poverty experiments. For each \$1,000 added to average family income, programs tended to raise achievement by 6 percent of a standardized measure of academic achievement. (Improvements in this chart range from 0 to 11 percent.) Results are for children 2 to 5 years old at the start of the experiment.

Source: Morris, Duncan, and Rodrigues (2004), "Does money really matter? Estimating impacts of family income on children's achievement with data from social policy experiments," unpublished manuscript, New York: MDRC.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Another study tracked ups and downs in families' income over time from various sources. For children in low-income families, it [found](#) that an annual income boost of \$3,000 (in 2005 dollars) between the children's prenatal year and fifth birthday was associated with earning an average of 17 percent more as adults, and working 135 hours more annually, than similar children whose families did not obtain that income boost. The additional 135 hours of work is nearly a third of the gap in adult work hours between children raised in poor families and children raised in families with incomes exceeding twice the poverty line.

Evidence of tax credits' [positive effects](#) begins early in life, [several studies](#) have [found](#). Infants whose mothers were eligible for federal tax credit expansions or lived in a state that enacted a state EITC tended to experience the greatest improvements in birth weight — an early health indicator that strongly predicts children's longer-term health outcomes, educational attainment, and later-life

earnings. Studies have also linked living in a state that recently enacted or enlarged a state EITC with significant reductions in mothers' [mental stress](#).

In addition, numerous studies have [found](#) that young children in low-income families do better in school if their families receive additional income from the EITC or similar supports. For example, one study [concluded](#) that raising family income through refundable tax credits (primarily the EITC) is associated with improvements in children's reading and math test scores; these higher skills, in turn, increase the likelihood that children in the family will attend college and have higher earnings as adults. In fact, the authors project that due to skill gains related to the EITC and CTC, each dollar of income provided through the tax credits increases a child's future earnings by more than one dollar.

Another [study](#) found that children receiving larger state or federal EITCs tend to do better academically in both the short and long term. For example, an increase of about \$3,000 (in 2008 dollars) in the federal maximum EITC during the 1990s resulted in higher math test scores for the affected children at the time, as well as a 7.2 percentage-point increase in high school completion several years later and a 4.8 percentage-point increase in college enrollment by age 19.

Medicaid improves children's health, educational, and financial outcomes later in life. Children with Medicaid [have comparable access](#) to health care as those with private insurance, and significantly greater access to care than those who are uninsured. That care has a lasting impact: Medicaid eligibility in childhood is associated with better [overall health](#) in adulthood, including a 22 percent reduction in high blood pressure, reduced likelihood of hospitalization, and reduced mortality.

Also, children eligible for Medicaid for longer periods under eligibility expansions are [less likely](#) to drop out of high school and likelier to earn a bachelor's degree. The positive impacts of these expansions are on par with the benefits from other education reforms, such as reducing elementary school class sizes and adopting school-wide performance standards.

In addition, children with Medicaid were found to [earn higher incomes](#) and contribute more in taxes through age 28 for each additional year they were likely Medicaid-eligible as children. Researchers estimate that their increased tax payments offset 56 cents of every dollar spent on Medicaid during childhood.

Part V: Programs Provide a Limited Safety Net

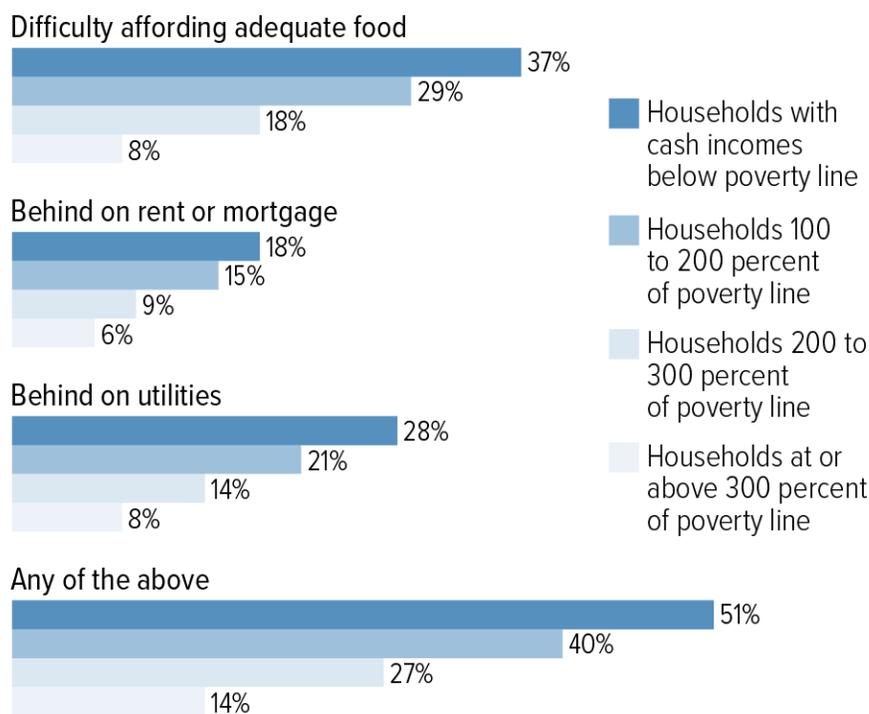
Many households continue to face hardships. Nearly 1 in 5 American households [struggled](#) to meet one or more of nine measures of basic need in 2011, Census data show. For example, they were unable to keep up with monthly rent payments, had utilities cut off, or didn't always have enough food. While material hardships are highest among households with cash incomes below the poverty line, they also remain high among near-poor families (those with incomes between 100 and 200 percent of the poverty line).

A CBPP analysis of newer Census data indicates that [51 percent](#) of poor children lived in households that experienced at least one of three serious hardships in 2013: "low food security"

(i.e., problems affording adequate food), falling behind on rent or mortgage payments, or falling behind on utility payments. Two in five children in *near-poor* families faced such hardships, too.

Large Shares of Poor and Near-Poor Children Live in Households That Experience Hardship

Share of children in households in different income groups with selected conditions, 2013



Source: CBPP analysis of the Survey of Income and Program Participation, 2014 panel, data for December 2013.

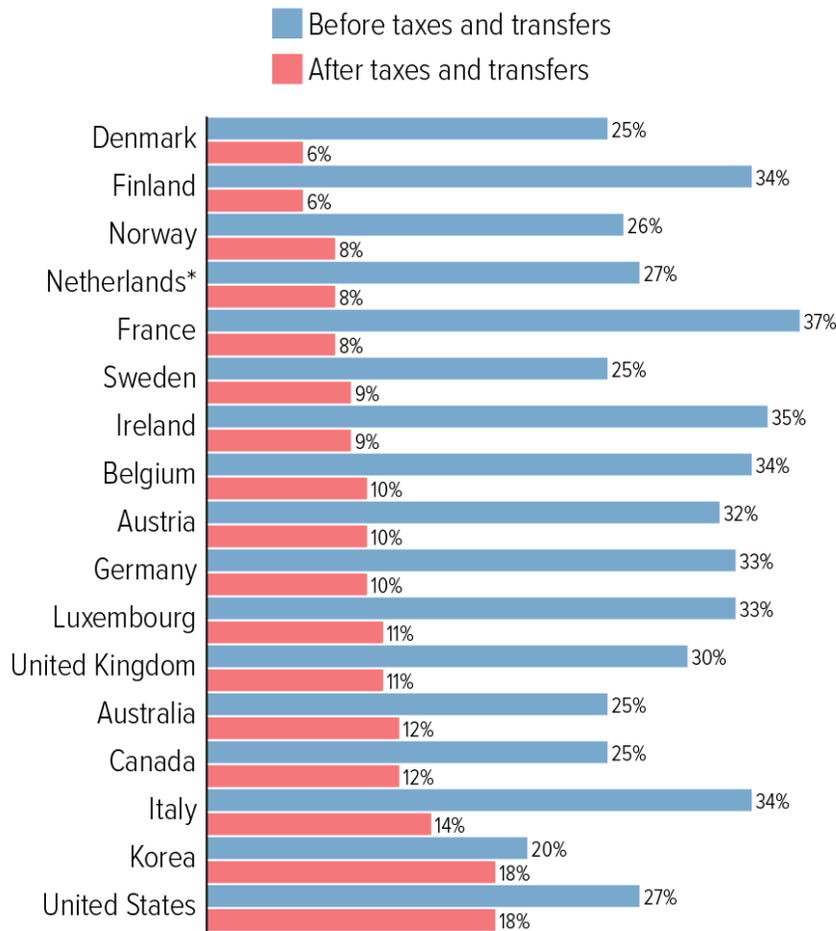
CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

This is especially troubling in light of [growing evidence](#) that young children whose families struggle to afford the basics may be exposed to high levels of stress that can hinder children’s healthy brain development and future academic achievement.

Other countries do more than the United States to reduce poverty. Many other wealthy countries’ poverty rates are similar to (or even higher than) the U.S. rate *before* factoring in the impact of the safety net. But these countries have lower poverty rates — sometimes much lower — after counting benefits from government programs. This reflects the fact that nearly all of these other countries do more to fight poverty: their programs are more generous, more accessible, and broader in scope than those in the United States.

U.S. Poverty Rate Is High After Taxes and Transfers Compared to Similarly Wealthy Countries

Poverty rate according to common international standard, 2016



*Data from the Netherlands are provisional.

Note: The poverty threshold is defined as 50% of national median income, a widely accepted international standard. The comparison includes countries (for which comparable data are available) with median disposable incomes within 35 percent of U.S. median income (\$34,514) in 2016 U.S. dollars converted by purchasing-power parity.

Source: Organisation for Economic Co-operation and Development Income Distribution Database

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG