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# Economic Security Programs Cut Poverty Nearly in Half Over Last 50 Years

## Figures Highlight Programs' Effectiveness

By Danilo Trisi and Matt Saenz

Using a version of the federal government's Supplemental Poverty Measure (SPM) — a more comprehensive metric than the official poverty measure — 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. Poverty fell from 26.0 percent in 1967 to 14.4 percent in 2017 by this measure. Most of the improvement came from economic security programs. Earnings and other non-government sources of income did not improve sufficiently over this period to reduce poverty substantially.

In 1967, economic security programs lifted above the poverty line just 4 percent of those who would otherwise be poor. By 2017, that figure had jumped to 43 percent.

In 2018 poverty fell again to a new record low of 12.8 percent by our measure: the SPM with an inflation-adjusted poverty line. Changes in the Census Bureau's survey methods make 2018 data not strictly comparable to 1967.[1] But the Census Bureau provides enough data about this survey transition to make clear that the SPM poverty rate reached a record low in 2018 by our measure.[2]

Similarly, child poverty reached a record-low 13.7 percent in 2018, down from 2017's 14.8 percent (itself a statistical tie with 2016 in data comparable back to 1967). The improvement in child poverty also largely reflects the growing anti-poverty impact of assistance policies; before taking benefits and

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[1] In 2018 Census released data based on an updated processing system. To facilitate comparisons across time, Census released two versions of 2016 and 2017 data. One version is comparable to 2018, and the other version is comparable to earlier years. When making comparisons in this report we use the appropriate version depending on what years we're comparing. The 2017 poverty rate using thresholds anchored to 2018 (explained below) was 13.5 percent when using the new methods and 14.4 percent when using the previous methods. For details on the changes in the Census survey, see Liana Fox, "The Supplemental Poverty Measure: 2018," U.S. Census Bureau, October 2019, https://www.census.gov/content/dam/Census/library/publications/2019/demo/p60-268.pdf.

[2] Using data comparable back to the 1960s, the poverty rate stood at a record low of 14.4 percent in 2017, a level not statistically different from the 2000 poverty rate of 14.6 percent. In 2018, the poverty rate stood at 12.8 percent, using the data released under the new methodology. The Census Bureau released a 2017 poverty rate that is recalculated using the new methodology so that it is comparable to the 2018 figure. This recomputed 2017 figure is 13.5 percent.

tax policies into account, child poverty has improved only modestly over the past five decades, falling from 28.3 percent to 25.2 percent between 1967 and 2017. Nearly 8 million more children would have been poor in 2018 if the anti-poverty effectiveness of economic security programs had remained at its 1967 level.

These findings emerge from our analysis of Census Bureau data and historical SPM data produced by a Columbia University research team.[3] We use the Census Bureau's SPM data when available (for 2009 through 2018) and the Columbia SPM data for prior years. We create an "anchored" series by using the 2018 SPM poverty line and adjusting backwards for inflation.[4]

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 assistance, and from refundable tax credits for low- and moderate-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 subtracts federal and state income taxes, federal payroll taxes, and certain expenses (such as child care and out-of-pocket medical expenses) from income when calculating what resources a family has available to buy basics such as food, clothing, and shelter. A family is considered poor if its resources are below a poverty threshold ($28,166 for a two-adult, two-child family renting in an average-cost community in 2018) that accounts for differences in family composition and geographic differences in housing costs.

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

Census data show that economic security programs lifted nearly 37 million people above the poverty line in 2018, including 7 million children.[5] Government benefits and tax policies cut the

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

[4] 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 2018 they rose more than inflation, as the five-year average recovered from its recession-era levels. This is why the poverty rate declined less between 2017 and 2018 under the standard SPM than under the anchored SPM, which held the poverty thresholds steady in real terms between the two years. The 2017 to 2018 decline in the poverty rate was statistically significant when using the anchored SPM, but not statistically significant when using the standard SPM. For an explanation of anchoring, 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.
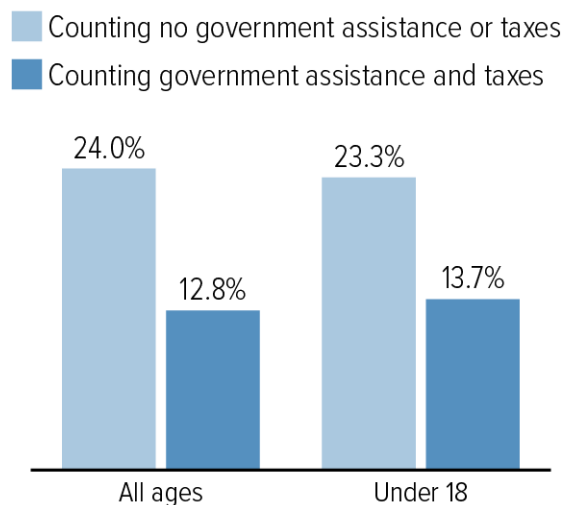
[5] In this report we use the terms "economic security programs," "government assistance," and "government benefits" interchangeably. In our calculations these benefits include: Social Security, unemployment insurance, workers' compensation, veterans' benefits, TANF, state General Assistance, SSI, SNAP, National School Lunch Program, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), rental assistance (such as Section 8 and public housing), home energy assistance, the EITC, and the CTC. Benefit figures for 2008-2010 also reflect a number of

poverty rate from 24.0 percent to 12.8 percent in 2018; among children, they cut the poverty rate from 23.3 percent to 13.7 percent.[6] (See Figure 1.)

Although the SPM counts more types of income than the official poverty measure, the data still understate the effectiveness of economic security programs because survey respondents often underreport their income from government 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 even more. Household surveys depend on participants' recollections over many months and typically fail to capture some income; the Census data are no exception. In 2016, the most recent year for which these corrections are available, economic security programs lowered the SPM poverty rate by an additional 1.4 percentage points when these corrections are made. (See last section of this report on corrections for underreporting for more details.)

## Economic Security Programs Cut Poverty Rate Nearly in Half in 2018

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 U.S. Census Bureau's March 2019 Current Population Survey and published Census figures

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temporary federal benefits enacted in response to the Great Recession: 2008 stimulus payment, 2009 Economic Recovery Payment, and the 2009-2010 Making Work Pay Tax Credit.

[6] The SPM poverty rates of 12.8 percent for all ages, and 13.7 percent for children, counting government assistance and taxes, are the Census Bureau's published estimates. When the same figures are calculated using the bureau's public-use files, the estimates are slightly lower (12.7 percent for all ages and 13.6 percent for children), implying slightly stronger anti-poverty effects for government programs. Census Bureau staff calculate their published poverty rates with data that are more complete than the public-use files available to most researchers.
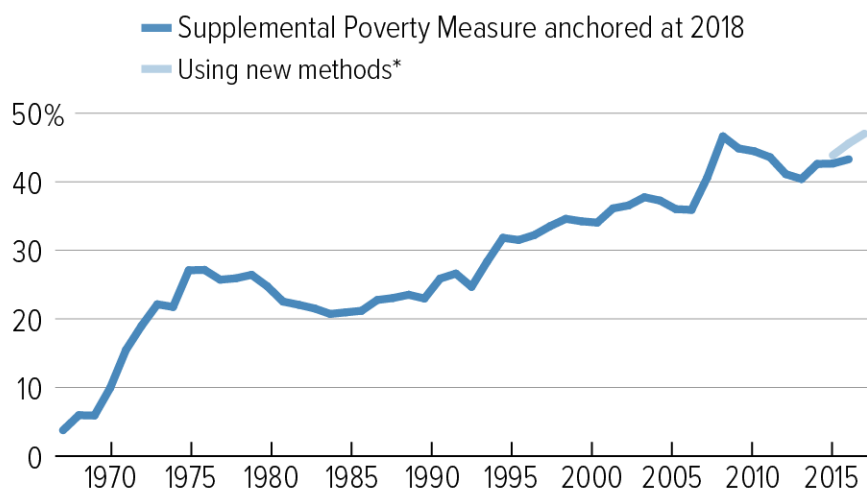
## Assistance Programs Increasingly Effective at Reducing Poverty

Government assistance lowered the number of people in poverty by 4 percent in 1967 — and by 43 percent in 2017. (See Figure 2.) In 2017, before accounting for government benefits and taxes (including tax credits), about 82 million people had incomes below the poverty line. Counting benefits and taxes lowers that number by 36 million people (or 43 percent).

FIGURE 2

### Economic Security Programs Have Grown More Effective at Reducing Poverty

Percent of otherwise-poor persons lifted above the poverty line by benefits



*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

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 2018 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018)

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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 rise in need as the recession increased unemployment and lowered incomes. These measures both blunted the recession's impact on individuals and families and provided important fiscal stimulus that shortened and moderated the recession.[7] The Recovery Act, for example, included temporary SNAP benefit increases, additional weeks and higher benefits in the unemployment

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[7] Alan S. 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.

insurance program, and tax-based measures targeting low- and moderate-income households.[8] The experience of the Great Recession shows that additional policy steps can be taken to further strengthen the anti-poverty effectiveness of economic security programs.
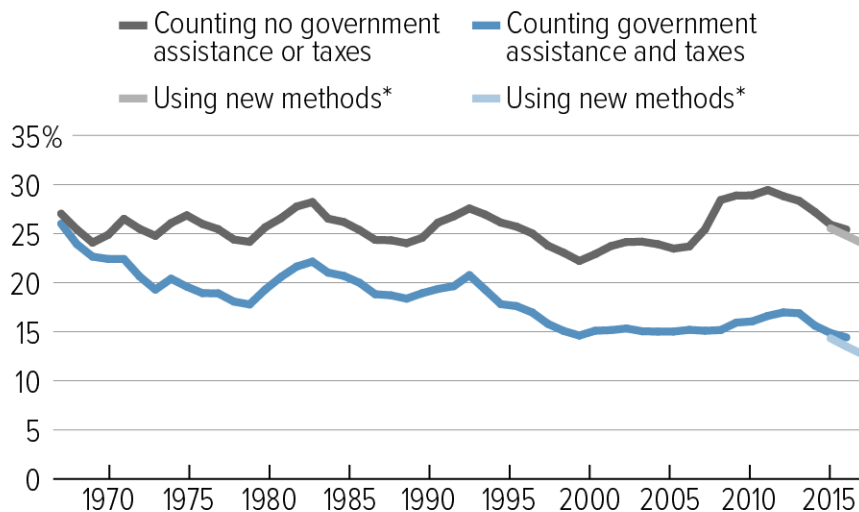
## Poverty Rates Reached Record Low in 2018

Measured with the SPM, the poverty rates both for all ages and for children reached record lows in 2018. Long term these improvements were largely due to the growing effectiveness of economic security programs. The poverty-reducing importance of government programs has grown, while other forces — including the increasingly unequal private economy — have on balance done little to reduce poverty. Before taking government benefits and tax policies into account, poverty has improved only modestly over the past five decades, falling from 27.0 percent to 25.4 percent between 1967 and 2017. But after accounting for these benefits and taxes, the poverty rate fell from 26.0 percent in 1967 to 14.4 percent in 2017. The latest Census data that use new processing methods show that poverty further declined from 2017 to 2018. (See Figure 3.)

FIGURE 3

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

Poverty rate using Supplemental Poverty Measure



*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

Note: Calculations use 2018 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018)

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[8] 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.
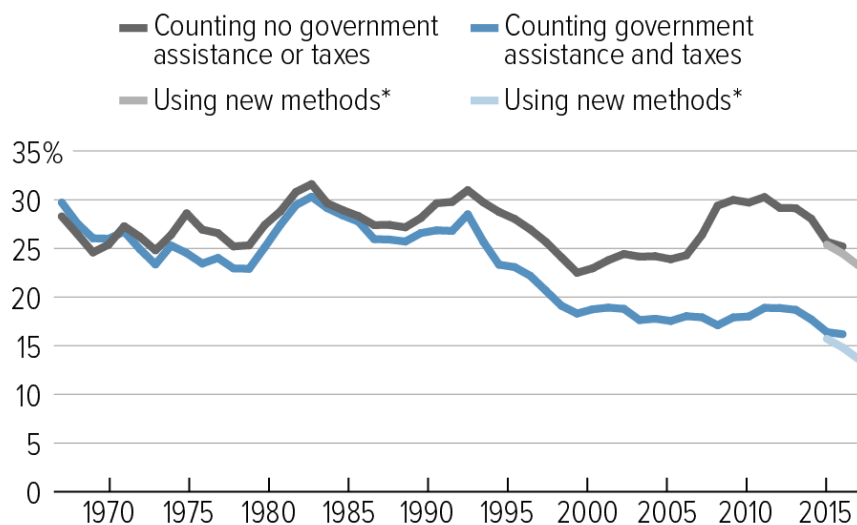
Similarly, child poverty fell to a record low in 2018 because of the growing effectiveness of economic security programs. The data show that the near-halving of the child poverty rate since the late 1960s is largely attributable to the creation or expansion of various economic security programs, particularly SNAP and two major refundable tax credits. When poverty is measured without counting government assistance, child poverty has improved only modestly over the past five decades, falling from 28.3 percent to 25.2 percent between 1967 and 2017. But once these benefits are taken into account, a large decline in child poverty is evident. (See Figure 4.)

The recent improvement in the child poverty rate started after the Great Recession. Child poverty fell from its recent peak of 18.9 percent in 2012 to 16.2 percent in 2017. Most of that improvement occurred between 2014 and 2016, when the child poverty rate fell 2.3 percentage points. Unlike the long-term trends, this recent improvement reflects improvements in employment and earnings. The latest Census data that use new processing methods show that child poverty continued to decline from 2017 to 2018.

FIGURE 4

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

Poverty rate for children under 18, using Supplemental Poverty Measure



*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

Note: Calculations use 2018 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018)

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In 2018, government policies lifted above the poverty line some 41 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,

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federal policymakers have established and expanded the EITC and Child Tax Credit, which lifted 5.5 million children above the poverty line in 2018.[9] 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 given the evidence of child poverty's long-lasting consequences and the health and economic benefits of reducing child poverty. 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.[10] A National Academy of Sciences committee of experts recently concluded that "the weight of the causal evidence indicates that income poverty itself causes negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child's life. Many programs that alleviate poverty … have been shown to improve child well-being."[11]

The poverty-reducing importance of government programs has grown while other forces — economic and demographic — have on balance done little to reduce poverty.[12] Rising inequality has led to limited wage growth for low-income workers, with nearly a quarter of U.S. workers earning below-poverty wages in 2016, about the same as in 1973.[13] Demographic forces, meanwhile, had a mixed influence: on poverty rates — with rising education levels, falling numbers of children per family, and an increase in women's annual work hours pushing poverty downward even as rising single parenthood pushed it upward.

## 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 such as 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.

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[9] Samantha Washington, "Child Tax Credit and Earned Income Tax Credit Lifted 10.6 Million People out of Poverty in 2018," Center on Budget and Policy Priorities, October 31, 2019, https://www.cbpp.org/blog/child-tax-credit-and-earned-income-tax-credit-lifted-106-million-people-out-of-poverty-in-2018.

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

[11] National Academies of Sciences, Engineering, and Medicine, "A Roadmap to Reducing Child Poverty," National Academies Press, 2019, https://www.nap.edu/read/25246.
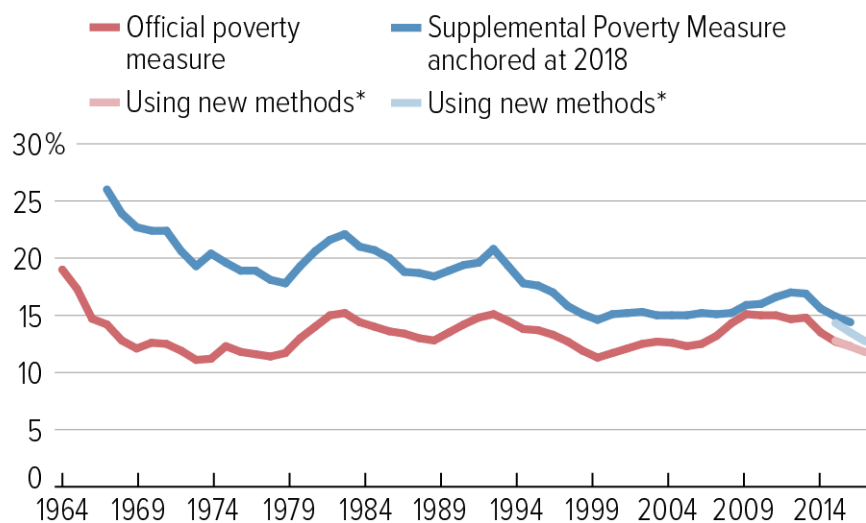
[12] For a discussion of various factors affecting long-term poverty trends, see Arloc Sherman, Sharon Parrott, and Danilo Trisi, "Chart Book: The War on Poverty at 50,"  Center on Budget and Policy Priorities, January 5, 2014, https://www.cbpp.org/research/chart-book-the-war-on-poverty-at-50-section-2?fa=view&id=4071.

[13] Some 24 percent of U.S. workers earned below-poverty wages (wages too low to lift a four-person family above the official poverty line) in 2016, compared to 25 percent in 1973. Economic Policy Institute, State of Working America Data Library, "Poverty-level wages," 2019, https://www.epi.org/data/#?subject=povwage.

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 non-cash and tax-based benefits 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. The poverty rate fell much less sharply under the official measure, from 14.2 percent in 1967 to 12.3 percent in 2017. However, as noted, the poverty rate fell from 26.0 percent in 1967 to 14.4 percent in 2017 under the SPM that includes this assistance. (See Figure 5.)

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



*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

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 2018 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018)

## Correcting for Underreporting Shows Even Bigger Impact of Economic Security Programs

Census' counts of program participants typically fall well short of the totals shown in actual administrative records. Such underreporting is common in household surveys and can affect estimates of poverty. We can correct for underreporting by using data from the U.S. Department of Health and Human Services and the Urban Institute for three types of government assistance: SNAP, Supplemental Security Income (SSI), and Temporary Assistance for Needy Families (TANF).
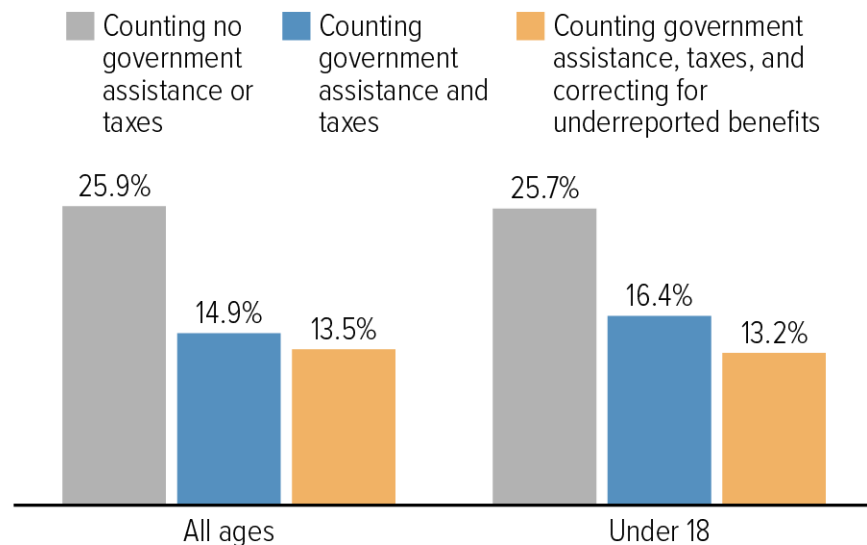
When we use data that correct for households' underreporting of these key government benefits, we find that economic security programs have even larger anti-poverty effects. In 2016, the most recent year for which these corrections are available, economic security programs lowered the SPM poverty rate from 25.9 percent to 13.5 percent — 1.4 percentage points lower than in SPM data without these corrections.

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. In 2016 government benefits and tax policies cut the number of children in poverty by nearly half in data with these corrections (from 25.7 to 13.2 percent), compared to about a third in data without these corrections (from 25.7 to 16.4 percent; see Figure 6).

FIGURE 6

## Correcting for Underreporting Shows Even Bigger Impact of Economic Security Programs

Percent poor in 2016



Note: Calculations use 2018 SPM poverty line adjusted for inflation. We correct for underreported SNAP (formerly food stamps), Supplemental Security Income, and Temporary Assistance for Needy Families.

Source: CBPP analysis of U.S. Census Bureau's March 2017 Current Population Survey and SPM public use files. Corrections for underreported benefits from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM)

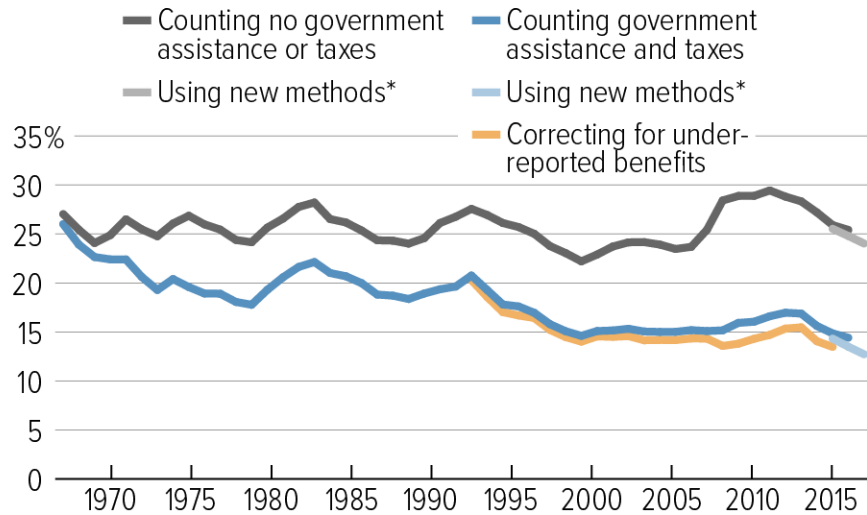CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

When analyzing poverty rates for all ages over time, correcting for underreported benefits does not make much of a difference from 1993 to 2008. However, between 2008 and 2009, the uncorrected poverty rate stayed flat, while the corrected poverty rate declined by 0.8 percentage points. This largely reflects increases in SNAP, driven by temporary measures enacted to support struggling households during the Great Recession, which the corrections help to more fully account for. The gap between the corrected and the uncorrected poverty rate started to narrow once those

temporary measures ended in 2013 and participation in SNAP continued to decline due to the improved economy.

FIGURE 7

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

Poverty rate using Supplemental Poverty Measure



*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

Note: Calculations use 2018 SPM poverty line adjusted for inflation. We correct for underreported SNAP (formerly food stamps), Supplemental Security Income, and Temporary Assistance for Needy Families.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018). Corrections for underreported benefits from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM)

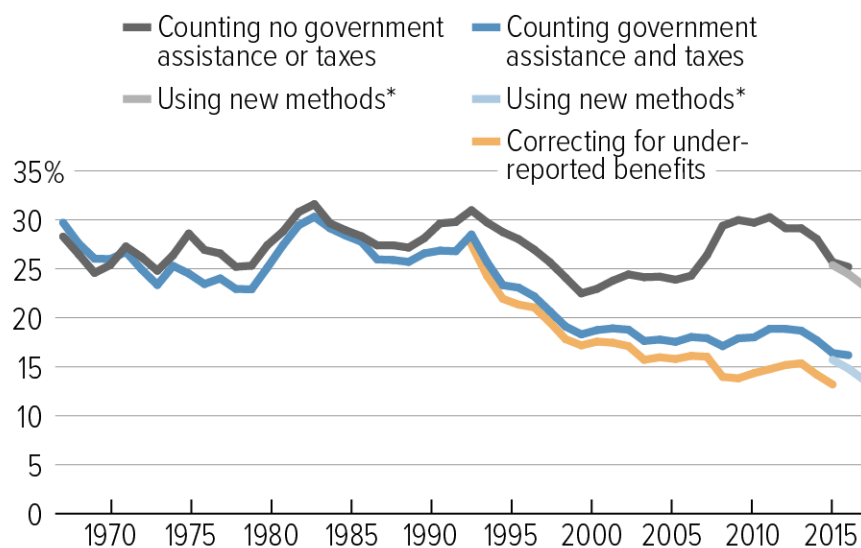CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Correcting for underreported benefits has a notable effect on child poverty trends in the Great Recession. Between 2007 and 2012, the anchored child SPM poverty rate without corrections rose by 0.8 percentage points, but the corrected rate declined by 1.4 percentage points. This shows that government assistance more than fully protected children from increases in poverty during the Great Recession, a time of widespread job loss and sharply rising financial need. Between 2007 and 2012, the anchored child SPM rate counting no government assistance or taxes increased by 6.0 percentage points.[14]

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[14] For this comparison, we chose 2007 as the starting point because it was the year before the start of the Great Recession and 2012 as the ending point because that was the year when the anchored child SPM rate counting no government assistance and taxes peaked after the Great Recession.

FIGURE 8

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

Poverty rate for children under 18, using Supplemental Poverty Measure



■ Counting no government assistance or taxes
■ Counting government assistance and taxes
■ Using new methods*
■ Using new methods*
■ Correcting for under-reported benefits

*To facilitate comparison across time, Census released two versions of 2016 and 2017 data. This line uses data comparable to 2018. The darker line uses data comparable to earlier years.

Note: Calculations use 2018 SPM poverty line adjusted for inflation. We correct for underreported SNAP (formerly food stamps), Supplemental Security Income, and Temporary Assistance for Needy Families.

Source: CBPP analysis of SPM data from Columbia University Population Research Center (for 1967-2008) and U.S. Census Bureau (for 2009-2018). Corrections for underreported benefits from Department of Health and Human Services/Urban Institute Transfer Income Model (TRIM)

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It's worth noting that correcting for underreporting is particularly important when measuring "deep" child poverty, often defined as income below *half* of the poverty line, because underreported benefits make up a larger share of the total income of those with the lowest reported incomes. Correcting for underreported benefits reveals that the share of children living in poverty fell but the share living in deep poverty *rose* during the first decade after policymakers made major changes in the public assistance system in the mid-1990s that made SNAP and TANF less available and accessible to poor families.[15]

Notably, uncorrected Current Population Survey figures — whether using the official poverty definition or CBPP's broader poverty measure — do not show this rise in deep child poverty. The increase in deep poverty for children was largely due to means-tested benefits becoming *less effective* at shielding children from deep poverty, which is masked in the uncorrected data because the

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[15] Arloc Sherman and Danilo Trisi, "Safety Net for Poorest Weakened After Welfare Law But Regained Strength in Great Recession, at Least Temporarily," Center on Budget and Policy Priorities, May 11, 2015, https://www.cbpp.org/research/poverty-and-inequality/safety-net-for-poorest-weakened-after-welfare-law-but-regained. In a forthcoming paper we'll be extending that analysis to 2016 using the Supplemental Poverty Measure.

underreporting, in this case, makes the reduction in these benefits seem smaller and less consequential than it was.